S. Hrg. 100-670

PROPOSALS TO ELEVATE THE VETERANS' ADMINISTRATION TO CABINET-LEVEL STATUS

HEARINGS

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST AND SECOND SESSIONS

DECEMBER 9, 1987, AND MARCH 15, 28, 1988

Printed for the use of the Committee on Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE
86-109 WASHINGTON : 1988

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S401-50

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PROPOSALS TO ELEVATE THE VETERANS' ADMINISTRATION TO CABINET-LEVEL STATUS

WEDNESDAY, DECEMBER 9, 1987

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:05 a.m., in room SD-342, Dirksen Senate Office Building, Hon. John Glenn, Chairman of the Committee, presiding.

Present: Senators Glenn, Roth, Mitchell, Pryor, Heinz, Levin, and Sasser.

OPENING STATEMENT OF CHAIRMAN GLENN

Chairman GLENN. The hearings will be in order.

Today we begin the Committee's consideration of proposals to elevate the Veterans' Administration to Cabinet-level status. We currently have two very different proposals before this Committee; one that has been submitted from the Senate side, by Senator Thurmond in particular; and one from the House side. They are very different proposals and we are working hard to answer basic questions about the cost and impact of the legislation.

I want to start out by saying at the very beginning that I certainly do not intend to delay this issue, but we also do want to look at it so that as we establish a new department, we do it in a proper way and one that is going to be most beneficial for the future.

We have scheduled a second hearing for very early in the next session. We did not get the final legislation over here from the House until late November and so we have been somewhat limited in the time we had and we were unable to get it completed by the end of this session, so we will be having at least one more hearing early in the very next session, but I wanted to indicate that I am certainly not trying to delay this. We just want to do it right when we do it.

Few can deny the importance of veterans' affairs. Those who have served their Nation in times of war and peace deserve the very highest level of recognition and support. We owe our freedom and our independent way of life to the sacrifice of America's veterans, men and women who answered the call to duty and served with honor.

In recognition of that debt we have an obligation to protect and maintain the benefits that our veterans have earned. We must also guarantee that our veterans are treated with the dignity and responsiveness from their Government that they so clearly merit.

I had some 23 years in the Marine Corps myself so I know that the costs of war can never be accurately measured and that those costs do not end with the cessation of hostilities. Veterans must never be unfairly treated by hungry budget cutters in the Office of Management and Budget.

Nor should veterans have to pay for the costs of creating a new department. This is one of the things we want to look into. We have two previous departments that have been established in the not too distant past and we found that just the administrative costs in those departments—just the administrative costs increased some 10 to 15 percent. Those departments were the Departments of Energy and Education in the years after they were established.

The cost issue is particularly important since we want to make sure that the elevation does not reduce available funding for critical programs in veterans health care and benefits. Even if the cost is negligible, whether a few thousand dollars or several million, we need to know where the money is coming from, where it is going, and can it be better spent to accomplish what it is supposed to be spent for, and that is the benefit of the veterans.

Contrary to popular impression, creation of a new Cabinet department involves much more than simply adding a new seat to the Cabinet table. Congress must make very basic choices on a variety of organizational issues such as the appropriate number and rank of presidential appointees. That varies between the two approaches of the two pieces of legislation. We also need to specify the organizational framework in which they will operate. These are critical issues for the future success and effectiveness of any department.

We have in one proposal that we would basically just elevate VA as it is now, declare the Director as a Secretary and that would be basically it. The other requires for the establishment of, I believe, 11 Under Secretaries that would be political appointees, basically. That is a whole different approach and we want to explore this very thoroughly before we go ahead with it.

Congress must also ensure that a new department would be as effective as possible in achieving its mission. The last thing our veterans need or want is a new level of bureaucracy at VA. If we are to elevate the VA to Cabinet status we must do it right. If it is done right, the elevation of the Veterans' Administration will create a department which is visible, accountable and effective. If it is done wrong, the elevation will work against the interest of the 27 million veterans who so clearly deserve an effective department. In an agency whose sole mission is to care for our Nation's veterans, we cannot tolerate disruption or deterioration in service.

As the Committee embarks on this effort it is critical to remember one lesson about Cabinet building—once a department is created, it is very, very hard to change. Thus Congress must be sure that the department embodied in legislation is in the national interest and can be run effectively.

There are at least three initial questions which must be resolved. First, what are the pros and cons of establishing a Department of Veterans' Affairs? While I believe the arguments made on behalf of a new department have great merit, it behooves us as responsible legislators to examine any arguments presented on the other side, especially in light of the numerous editorial attacks on the proposal by such papers as the Washington Post, New York Times, and many others around this country.

Further, there are important differences between the two bills now before this Committee, as I mentioned, and as we move forward with consideration of the alternatives, we must make certain that we understand the implications of these differences.

Do we want to eliminate the Department of Memorial Affairs, for instance? Do we want to raise the chief benefits director to the same compensation level as the chief medical director? Do we want to require a specific number and rank of Assistant Secretaries? These and other questions must be answered since it is much easier to perfect a department before it is created than after.

Second, how many presidential appointees should the new department have? That question goes to the heart of the operating culture that will govern the new department. Will the new department be governed solely by presidential appointees, or by a mix of political and career executives, some who automatically leave at the end of an administration and others who may stay? We must guarantee that Veterans Affairs remains bipartisan and no undue politicization occurs.

I noted in discussing this with staff that—I said, is this also going to mean that we now have a Department of Social Security one of these days? And staff said, no, the people who are mainly looking over Social Security by and large have not wanted that, even though it does involve so many millions of Americans, because they have not wanted to politicize the operation. They feel they have good bipartisan support now and they do not want to change that, so they do not want more political appointees. So that is something we have to consider as we look at this.

Traditionally, most VA managers have been careerists. VA's very much like the Departments of the Army, Air Force, and Navy in that regard. Currently the VA manages a workforce of 240,000 civil servants, 172 hospitals, 229 outpatient clinics, and a $15 billion benefit system, all with three presidential advise-and-consent appointees, three non-career members of the Senior Executive Service, 12 Schedule C personnel and confidential assistants, and 125 career members of the SES.

The question is whether a new Department of Veterans' Affairs needs more political appointees than the old and what the longer term impacts of those appointments might be. Once the chief medical director becomes an appointee would hospital directors be next? The burden of proof appears to be on those who advocate a change from past practices to show that there will be no adverse impacts. We do not want adverse impacts.

Third, how can Congress make sure a Department of Veterans' Affairs is as effective as possible? The creation of a new department presents a rare opportunity to fix some of the problems any agency faces in the delivery of effective services. Among the ideas that have been suggested are a biennial budget, a productivity investment fund, and establishment of a chief financial officer.

These are ideas that this Committee should examine, so we expect to receive further testimony on these organizational concerns and potential costs from the Office of Management and Budget early next year.

Let me say that I did not try and hit all the balances in today's hearings. Today we are hearing basically from those who favor—strongly favor, most of them—the establishment of a new department for Veterans Affairs. So this was not meant to be a balanced hearing this morning. We will balance it off with other hearings later on that will take different viewpoints of this.

The Committee must address these other questions as it discharges its responsibilities to veterans, their dependents, and the American public on this issue. A new Cabinet-level department should be a flagship within the Federal Government, a shining example of the most effective and accountable organization possible and a leader in the search for excellence in public management. I look at that as being a requirement not for just good management in Government, but because our veterans deserve nothing less.

So, with those opening remarks, I would be glad to have any remarks that our distinguished Ranking Minority Member, Senator Roth has.

OPENING STATEMENT OF SENATOR ROTH

Senator ROTH. Thank you, Mr. Chairman.

First, I want to congratulate and applaud you for holding this hearing, for expediting it, as well as the hearings you plan to hold on this issue early next year.

I strongly support, Mr. Chairman, the elevation of the Veterans' Administration to an Executive level department. I was pleased to join a number of my colleagues in cosponsoring Senator Thurmond's legislation. I believe that if implemented properly the proposal will realize great benefits for the nation's veterans and for their dependents.

Mr. Chairman, my political sense tells me this bill is going to move. The House has supported and acted upon it. The President has endorsed the idea and 39 members of the Senate are behind this bill.

Should legislation pass, the question then becomes one of what have we created? Are we simply making a hollow, symbolic gesture, or creating higher visibility and a full voice in shaping policy for our veterans? And while we construct the department for our Nation's best, are we simply legislating new stationery or indeed providing an improved internal management and fully accountable benefit delivery system? These are areas that I think these hearings should address.

Mr. Chairman, I would just like to mention some background on my view of this veterans issue. We all know that the Veterans' Administration was created in 1930. Since then the size and the scope of the Veterans' Administration has grown tremendously. There are 27.7 million veterans in America today. There are 51 million dependents. So that makes something like 79 million Americans, almost a third of the Nation, eligible for benefits under the Veterans' Administration.

The Veterans' Administration is the largest independent agency in the Federal Government. With over 220,000 employees, it is only second to the Pentagon in the number of personnel. It has budget authority of over $27 billion, allowing it to offer a wide range of veterans benefits and services, including compensation payment for disabilities or death related to military service, pensions based on specific criteria, educational programs, counseling, rehabilitation, and the largest health care system in the free world, covering clinics, medical centers, hospitals and nursing homes.

The VA's GI Home Loan Program is one of the largest housing endeavors of the Federal Government. In addition, the GI education programs that the VA runs have contact with virtually every institution of higher learning in the country. Certainly programs of this magnitude and reach deserve, in my judgment, to be placed under a full Executive department.

But, in order to do this job effectively, the Department of Veterans Affairs must have a structure that allows smooth, effective execution of its functions. The transition must be made with care so that we do not in any way interrupt the orderly processing of its services. We must define accountability to the veterans within the department and see that the benefits are fully and expeditiously processed, and finally ensure that vets are really given a full voice in policy that affects them at the Federal level. We must not be caught up in this issue's momentum and forget is cause.

Again, Mr. Chairman, in my view this train is going to leave the station. It is our task to make certain that we move not just an engine and caboose, but a complete, well structured package, as you have suggested, freighted with better delivery of services and heightened visibility for the Nation's vets.

Mr. Chairman, I would ask that my full statement be included in the record.

Chairman GLENN. Without objection, it will be included in the record.

[The statement of Senator Roth follows:]

PREPARED STATEMENT OF SENATOR ROTH

Mr. Chairman, I want to applaud you for holding this hearing, and for the hearings you plan to hold on this issue early in the 2nd session. I strongly support the elevation of the Veterans' Administration to an executive level department. I cosponsor Senator Thurmond's legislation in the Senate to affect this change. I believe that, if implemented properly, the proposal will realize great benefits for the nation's veterans and their dependents.

Mr. Chairman, my political sense tells me that this bill is going to move. The House has supported and acted upon legislation, the President has endorsed the idea, and 39 members of the Senate are behind this bill. Should legislation pass, the question then becomes one of what have we created? Are we simply making a hollow symbolic gesture or creating higher visibility and a full voice in shaping policy for veterans? And while we construct this Department for our nation's vets, are we simply legislating new stationary or providing an improved internal management and fully accountable benefit delivery system. These are areas that I think these hearings should address, and the Committee consider in further action on this issue.

Mr. Chairman, I would like to provide some background on my view of this veterans issue. The Veterans' Administration is an independent agency established in 1930 in order to provide benefits to veterans, their dependents and survivors. Since then, the size and scope of the Veterans' Administration and its beneficiaries has grown tremendously. There are 27.7 million veterans in America today, up from 4.7 million at the time of the VA's inception 57 years ago. There are 51 million dependents, and survivors of veterans who are eligible to be served by the VA. That makes about 79 million Ameicans, almost a third of the nation, eligible for benefits under the Veterans' Administration.

The Veterans' Administration is the largest independent agency in the Federal Government. With over 220,000 employees, the VA is second only to the Department of Defense in the number of personnel. It has budget authority of over $27 billion allowing it to offer a wide range of veterans' benefits and services including: compensation payments for disabilities or death related to military service, pensions based on specific criteria, education programs, counseling and rehabilitation, and the largest health care system in the free world covering clinics, medical centers, hospitals and nursing homes. The VA's GI Home Loan Program is one of the largest housing endeavors ever undertaken and administered by the Federal Government. In addition the GI education programs that the VA runs have contact with virtually every institution of higher learning in the country. Certainly programs of this magnitude and reach deserve to be placed under a full executive department.

But, in order to do this job effectively, the Department of Veterans' Affairs must have a structure that allows smooth, effective execution of its functions. We must define accountability to the veterans within this department, see that benefits are processed fully and expeditiously, and finally ensure that vets are really given a full voice in policy that effects them at the Federal level. We must not be caught up in this issue's momentum and forget its cause.

Again, in my view, this train is going to leave the station. It is our task to make certain we move not just an engine and caboose, but a complete, well structured package, freighted with better delivery of services and heightened visibility for the nation's vets.

The veterans of the United States have sacrificed. Many in military service truly have given the last full measure to preserve our way and quality of life. Many vets returning bare scars both visible and invisible as a result of their courage and patriotism. We owe all of these individuals and their dependents prompt and unfettered access to the benefits we have promised in law. Today's hearing and that which follows can provide the thoughtful and deliberative review that will match promise with reality in the creation of the new Department of Veterans' Affairs.

Chairman GLENN. Senator Mitchell?

OPENING STATEMENT OF SENATOR MITCHELL

Senator MITCHELL. Thank you very much, Mr. Chairman.

It is a pleasure to join you and Senator Roth today as the Committee begins its consideration of the proposal to elevate the Veterans' Administration to Cabinet-level status. I look forward to the testimony of today's witnesses. It would be difficult to put together a group which has greater collective knowledge and insight into the workings of the Veterans' Administration and the programs it administers than the individuals who will testify this morning.

Mr. Chairman, I strongly favor elevating the Veterans' Administration to Cabinet-level status and am a cosponsor of legislation to accomplish that. As this Committee considers that legislation, we must remain mindful of two basic points. First and most importantly, the VA's single obligation is to carry out, in the words of Abraham Lincoln, its mission: "To care for him who shall have borne the battle and for his widow and his orphan."

Our obligation is to decide how can we best help the VA meet its obligation. Few responsibilities of any agency or department of the Federal Government carry with them the moral obligation embodied in the health care, education, compensation, research and home loan programs administered by the VA to this Nation's 28 million veterans and their dependents and their survivors. It is an obligation this country cannot ignore, for the United States will be able to summon the men and women needed in future crises only if it honors its moral and legal obligation to care for those who have served in past crises.

The second point the Committee must bear in mind is that in creating a Department of Veterans' Affairs it has a responsibility to do so in a manner that will provide services to veterans in a consistent, effective and cost efficient manner.

When the VA was created as an independent agency in 1930 it served fewer than 5 million veterans and had about 31,000 employees. In the intervening years–nearly 6 decades–its facilities, its programs, its employees and its budget have all grown dramatically. With 220,000 employees, the VA now has more employees than any other agency in the Federal Government except the Defense Department. Its $27 billion budget is the 5th largest among all Federal departments and agencies.

Through the largest health care system in the free world, encompassing 172 hospitals, 229 outpatient clinics, the VA provides inpatient medical services to 1,400,000 persons and outpatient services to 20 million persons. It administers a range of benefit programs which total $15 billion for more than 79 million potential clients.

The prospect of elevating the Veterans' Administration to a Cabinet-level department is no small task, nor one to be taken lightly by this Committee. Given the importance of the subject, Mr. Chairman, I commend your stated intention to this Committee to discharge fully its responsibility to give the proposal to create a Department of Veterans' Affairs full examination and thoughtful deliberation. I am convinced that after we complete that examination, after it has undergone that deliberation, we will join in supporting the effort to create a Cabinet-level status for the Veterans' Administration, something much needed and long overdue.

I look forward to working with you and the other members of this Committee in that process in the coming months.

Thank you, Mr. Chairman.

Chairman GLENN. Thank you very much, Senator Missile–Senator Mitchell. [Laughter.]

Senator PRYOR. Is he an MX or what?

Senator MITCHELL. I have been called an unguided missile many times but never by anyone as distinguished as you, Mr. Chairman.

Chairman GLENN. Intermediate range. We are getting it under control.

I think something big is afoot when we have such a distinguished table before us this morning here. When we have Senators Thurmond and Murkowski, Messrs. Brooks, Montgomery, and Solomon all here before us this morning, we have something big cooking, I can guarantee you that. So we will get right to the testimony.

But Senator Pryor, just walked in.

OPENING STATEMENT OF SENATOR PRYOR

Senator PRYOR. Mr. Chairman, I have a prepared statement and I would like unanimous consent to put my statement in the record. I was one of the original cosponsors with the distinguished Senator from South Carolina, Senator Thurmond, of this proposal. I strongly support it today just as I have supported it for a number of years and I just hope that the Committee will reach a logical and good conclusion in favor of this legislation. I would like my prepared statement to be placed in the record, Mr. Chairman.

Chairman **Glenn**. It will be included in the record.

[The statement of Senator Pryor follows:]

Prepared Statement of Senator Pryor

Mr. Chairman, on behalf of the veterans in my home state of Arkansas, I would like to thank you for holding this hearing on Senator Thurmond's bill to elevate the Veterans' Administration to cabinet level status.

I am one of the four co-sponsors of this bill on the Governmental Affairs Committee and look forward to working with all of my Committee colleagues on its passage.

I have three primary reasons for endorsing this bill: (1) it will give the VA, which affects a veterans population of over 27.6 million, better access to the president; (2) it will provide veterans issues greater visibility, and (3) with this increased visibility, I believe better congressional oversight of VA operations is possible.

Mr. Chairman, at the outset of this hearing I would like to mention two issues of concern to me.

First, some critics say that the VA budget may skyrocket because of this bill. That is clearly wrong. Agency budgets do not increase simply because the agency head is in the president's cabinet. One need only look at the Reagan administration's proposed cuts for some Cabinet-level agencies, such as the Department of Education, to see how wrong this is.

Furthermore, the direct cost of elevating the VA may be as little as $30,000—for new salaries. The existing VA stationery will not even be changed until it is all used.

Mr. Chairman, another issue that we will need to face is the potential for over-politicizing the VA. This bill contemplates retaining three presidential appointees that require the advice and consent of the Senate. The House bill would increase that number considerably.

At this point, I do not know which level is best. On one hand, Senate advice and consent is an effective tool in the oversight of an agency. At the same time, too many political appointees can decrease the ultimate responsiveness of the agency to Congress.

I do think that this will be an issue that requires our attention in the months to come.

Mr. Chairman, again, I applaud you for your interest in this legislation and I look forward to working with you on its passage.

Chairman **Glenn**. Gentlemen, if you have summaries of your statements, we will take those, and in any event the entire statements will be included in the record. It is your choice as to what you want to do.

Senator Thurmond, welcome this morning.

TESTIMONY OF HON. STROM THURMOND, U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA

Senator **Thurmond**. Thank you very much, Mr. Chairman and members of the Committee.

Mr. Chairman, I want to commend you for your longstanding support of the veterans of this country and for your decision to schedule hearings on this most important matter. I appreciate the opportunity to appear before this Committee along with these distinguished members of Congress, many of whom are veterans themselves.

I am pleased that we have with us today the Chairman and Ranking Minority Member of the Veterans' Affairs Committee, Senators Cranston and Murkowski. I appreciate their strong support of this legislation and their commitment to the men and women who have served this country in the armed forces.

I am also happy to see my good friend Jack Brooks, Chairman of the House Government Operations Committee and a former neighbor of mine in McLean, Virginia. He was most instrumental in guiding Cabinet-level legislation through the House of Representatives the middle part of November.

In addition, I want to acknowledge Congressman Sonny Montgomery, the Chairman of the House Veterans' Affairs Committee, for his longstanding commitment to veterans and his tireless efforts on their behalf. And finally, I would like to recognize the early leadership on the Cabinet-level legislation exercised by Congressman Gerald Solomon, the Ranking Minority Member of the House Veterans' Affairs Committee. He has put in many hours on the House Floor generating support for this matter.

Mr. Chairman, the issue of making the VA an Executive department is not a new one. For the past several sessions of Congress I have had the privilege and honor of introducing legislation in the Senate to elevate the Veterans' Administration to a Cabinet-level status. In February of this year I again introduced legislation, S. 533, to accomplish this goal, and I have done this since, I believe, back as early as 1973.

I am grateful for the bipartisan support of this measure. We now have 40 cosponsors, some of whom are members of this Committee. I am particularly pleased with President Reagan's recent endorsement of legislation to make the VA an Executive department.

Mr. Chairman, my bill is very simple. It redesignates the Veterans' Administration as an Executive department and establishes a Secretary of Veterans' Affairs and Deputy Secretary of Veterans' Affairs within the Department. The Secretary and Deputy Secretary would replace the current positions of Administrator and Deputy Administrator. I am willing to work with the Committee in crafting a similar but somewhat more comprehensive bill. However, we must be careful not to go overboard.

In recognition of the contributions to freedom and liberty made by servicemen and women, our Government has placed a high priority on the welfare of its veterans. It is the highest obligation of citizenship to defend this Nation in time of need and this obligation creates an equal responsibility on the part of our Nation to care for the men and women who have worn the uniform. It would be most appropriate for the principal Federal agency charged with providing benefits and services to veterans, and their dependents and survivors, to have Cabinet-level status. The honor and respect due our veterans requires no less.

Mr. Chairman, many factors warrant upgrading the Veterans' Administration to a Cabinet-level department. The first factor is the size and importance of the VA in our system of Government. The Veterans' Administration is the largest independent agency of the Federal Government. Its budget authority of $27 billion ranks among the largest of the Federal departments and agencies. With a staff of over 240,000 employees, the Veterans' Administration has more employees than any other Federal department or agency except the Department of Defense.

It is also important to emphasize that today there are some 28 million veterans and about 51 million dependents and survivors of veterans in the United States. The Veterans' Administration operates the largest, centrally-managed health care system in the world, with 172 hospitals, 117 nursing homes, 230 outpatient clinics, 188 readjustment counseling centers, over 12,000 physicians, and over 36,000 nurses. In fiscal year 1986, the Veterans' Administration distributed $14.3 billion in compensation and pension benefits and approximately $962 million in education, training and rehabilitation assistance payments.

Moreover, the VA Home Loan Guaranty Program has provided millions of veterans with an opportunity for home ownership. Over 11 million VA guaranteed home loans have been made since the institution of that important program. The Veterans' Administration also operates 111 national cemeteries. It provided burial assistance to nearly 116,000 deceased veterans' families in fiscal year 1986.

In addition to having the enormous responsibility for administering these diverse programs, the Administrator of Veterans' Affairs must be involved in Government planning at the highest level, particularly at a time of large budget deficits and great pressures to restrain the growth of Federal spending. The recently passed House bill, as well as current Senate legislation, would ensure this involvement.

Mr. Chairman, in light of the commitment of our Nation to care for our deserving veterans, having a Cabinet-level department is an idea whose time has come. In a recent September 11, 1987 article in The Washington Post, entitled "Ex-Officials Want FAA Out From Under Cabinet Wing," Mr. Alan Boyd, former Secretary of Transportation, commented on the significance of Cabinet rank.

Addressing suggestions by some that the FAA could operate more effectively if it were an independent agency, he said, and I quote: "You are going down a blind alley going for an independent agency. A Cabinet member draws a lot more water than the Administration of an independent agency."

Mr. Chairman, his message is very clear. I commend the article to you and the other members of the Committee and ask that it appear in the record.[1]

In closing, Mr. Chairman, let me say that I appreciate the opportunity to appear before this Committee. While we will never be able to completely repay our veterans for their service, loyalty and courage, we must be responsive to their changing needs. We can take a big step toward meeting their needs by establishing a Cabinet-level department.

I thank you and the members of the Committee very much.

Chairman GLENN. Thank you Senator Thurmond.

Senator THURMOND. Mr. Chairman, if you will excuse me, I have got to appear before the Labor Committee.

Chairman GLENN. We understand. We all have other commitments. Thank you.

Mr. MONTGOMERY. Happy birthday, Strom.

Senator THURMOND. Thank you very much.

Senator MURKOWSKI. Happy birthday, my friend.

Chairman GLENN. Is this your birthday today?

Senator THURMOND. Last Saturday was my birthday but I celebrated it on Friday when my wife and children came up.

Chairman GLENN. Good.

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[1] See p. 337.

Mr. MONTGOMERY. Forty nine.

Chairman GLENN. Many happy returns.

[Applause.]

TESTIMONY OF HON. FRANK H. MURKOWSKI, U.S. SENATOR FROM THE STATE OF ALASKA[1]

Senator MURKOWSKI. Thank you, Mr. Chairman.

We could all have our 49th birthday again.

Mr. Chairman, I am very pleased to join with my colleagues, Senator Thurmond, Representatives Montgomery, and Jerry Solomon and Jack Brooks, in supporting the legislation to create the Department of Veterans' Affairs in the President's Cabinet and I commend the leadership of the Committee on Governmental Affairs for promptly scheduling this hearing on this vital legislation.

I certainly commend, in addition to a birthday wish, our colleague, Senator Strom Thurmond, for his legislation to create this Department of Veterans' Affairs and for the many years of vigorous support which he has initiated for the passage and enactment into law of this legislation.

I feel that Cabinet status for the VA is necessary for sound public administration. We have already heard the size of the VA, approximately 240,000 employees, a budget of about $28 billion, and the realization that the VA is indeed larger than most Cabinet departments. The VA programs and policies have a Government-wide impact on national issues.

In reality, it has been indicated that roughly one-third of the American population is potentially eligible or touched by some type of VA benefits. In addition, the VA affects health providers, educators, home builders, bankers, realtors, funeral directors, employers and others that are too numerous to mention.

Mr. Chairman, we live at a time with intense interest in the Federal budget, intense pressures to ensure Federal spending is limited and Federal dollars are wisely spent, intense need for greater policy coordination and sharing among all departments and agencies in Government. A Cabinet-level VA would ensure that the views of the agency that administers veterans' benefits has been heard and considered when difficult budget decisions are made at the inner circles of Government.

I am somewhat disappointed, Mr. Chairman, by the reaction of some who believe that this proposal would lead to more Government for a powerful interest group. There is no question, Mr. Chairman, the veterans do have political power. And they got it the old fashioned way, they earned it.

A Cabinet-level VA would not create new political clout, nor would it necessarily lead to new or expanded programs. It is us, the Congress, not the Executive Branch, that has the power to create or expand the veterans' programs. That power would not be affected by VA Cabinet status. The size and extent of veterans' programs reflect the Nation's acknowledgement of our debt to our veterans.

I know of no veterans, Mr. Chairman, who support this proposal in the belief that the voice of the VA in the Cabinet room will lead to a gusher of new and expanded veterans' programs. We are not talking about an expanded bureaucracy. We are really talking about putting another chair at the Cabinet level and the Cabinet table, Mr. Chairman.

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[1] See p. 11 for Senator Murkowski's prepared statement.

We have a Veterans' Administration that is already set up. We have before you two bills. One is a Senate bill, one is a House bill. The Senate bill, I would point out, does very little more than rename the agency and its head. Now, the House bill is more detailed. There are substantial structural changes in the agency and the identification of some 13 presidential appointments.

The veterans know, Mr. Chairman, all too well of the fiscal constraints facing our Government today. In fact, the veterans have accepted reductions in veterans' benefits, such as the imposition of a means test for VA medical care, a 1 percent loan origination fee on VA home loans. When those reductions were included in legislation to reduce the deficit most recently, the major veterans' organizations stated their willingness to forego a cost-of-living adjustment for veterans' benefits if, Mr. Chairman, all Federal programs were frozen.

Mr. Chairman, I know of no other entitlement recipients indicating such a willingness. It proves that the veterans again are willing to make a sacrifice on behalf of Government when they feel the system indeed is at stake.

Editorials which have criticized Cabinet-level VA because of a belief that it will lead and give veterans a mechanism to increase benefits must be read in the light of the record of the veterans themselves. Veterans know that the Cabinet status does not necessarily lead to more money. Veterans have only asked for their voices to be heard at the Cabinet level.

I would remind you as you reflect on this legislation, Mr. Chairman, that the communication works both ways. To be a part of the policy makeup at the level of the Cabinet is appropriate to transmit the priorities from that level down to the veterans through the veterans' organizations. It gives them a better understanding and appreciation and the recognition is evident, Mr. Chairman, we will never have enough money to appropriately meet our obligations to our Nation's veterans but we must continue to prioritize those needs as those needs change, and the best way to do it is to have that communication link at a policy level.

In short, Mr. Chairman, the VA should be a Cabinet-level department to first administer the veterans' programs that Congress has created, to coordinate on an equal basis those programs with other Cabinet departments and provide other departments with the benefits of the VA experience and expertise.

Finally, Mr. Chairman, I would urge the Committee to report out legislation that would establish by statute all principal offices which would be filled by presidential nomination and require Senate confirmation of all presidential nominees, including the current incumbents in their positions. And I take this position without taking a position on the qualifications of those individuals now holding those offices.

I take this position because I believe the Senate has an obligation and a responsibility to designate these offices and provide its advice and consent to the appointment of Cabinet-level officials. That responsibility begins at the instant a Cabinet level is created.

In conclusion, the Committee on Governmental Affairs has, I believe, an historic opportunity to create the framework for the future administration of veterans' benefits. I am pleased with the deliberate and thoughtful manner in which the Committee is approaching the opportunity and I am confident the legislation you report will create a first-class framework for the creation of a first-class Executive department.

I look forward to the opportunity to consider the results of your work when legislation is reported to the Floor of the Senate.

Thank you for the courtesy extended to me and I would ask that the balance of my remarks be entered in the record.

Chairman GLENN. Thank you, Senator Murkowski. Without objection they will be included.

Mr. Brooks, you are up next. Welcome to our hearing this morning.

TESTIMONY OF HON. JACK BROOKS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS [1]

Mr. BROOKS. Mr. Chairman, I am honored to be here and I note too that you are also a former Marine, as is brother Solomon here, and you were a pilot in World War II and flew around the world a few times in orbit. I am one of those people that thinks you are not still in orbit. I am for you. I think you are doing a great job. [Laughter.]

And old Roth was Chairman of that Committee for a long time. I have been dealing with him about 20 years. He has got a wife that is a Federal Judge and you have got one right on the Committee—Judge Mitchell here. He is Senator. I served with him. I got to know him pretty well, about 6 months of Iran/Contra, and he interrogates people with an experience that he honed as a Federal Judge, I will tell you.

Senator MITCHELL. I am not going to practice it on you, though, Mr. Chairman.

Mr. BROOKS. And Senator Pryor, a former Governor, a former member of the House of Representatives, a distinguished Naval man. I met one of his strongest supporters this weekend. I tell you, you will not believe it. He worked for him for years and still likes him. [Laughter.]

This is a great bill and it is not going to do any harm to anybody. I would just add that in my district we know all the facts and figures about the VA system. There is about $26 billion. They might even save money if they will just get their head in the game. I wish they would give me $26 billion to do that. I could do it for a little less.

I think everybody can tighten up and do a little better and I would hope that the VA would do a little better with this Cabinet status. I think they are going to be under a lot more scrutiny by Congress and by the American people, so I expect them to shape up if they are going to be wearing those fancy suits.

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[1] See p. 159 for Mr. Brooks' prepared statement.

I believe that I have some knowledge in one area that might be of some interest to you, but I believe they can do a little more oversight to help veterans and taxpayers alike. The VA's failure to properly service the housing loans in economically depressed southeast Texas, and Houston, particularly, has led to unnecessary foreclosures on veterans' homes.

Many of these homes could have been saved for the veterans who own them and who were trying to pay for them, and the cost of foreclosing and deposing could have been avoided if the VA had better used the resources and the powers under the laws presently available. I hope that they will.

In view of all of these factors, I think it is highly appropriate that you pass this. I am delighted to note that after we passed the bill in Government Operations at 11:00 o'clock in the morning, the President endorsed it at 11:30, and I would think if you all would do the same, we have got everybody for it.

I would ask unanimous consent to revise and extend my remarks and at the conclusion of mine, I would ask unanimous consent to extend the remarks of the Ranking Republican on the Government Operations Committee, Frank Horton of New York.[1]

Thank you very much. I enjoyed being with you.

Chairman GLENN. Without objection, so ordered. Thank you very much.

Mr. Montgomery.

TESTIMONY OF HON. G.V. [SONNY] MONTGOMERY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI[2]

Mr. MONTGOMERY. Thank you very much, Mr. Chairman.

I certainly want to thank you for having this hearing this morning and for your strong statement, and to my colleagues in the Senate. Bill Roth, you started over in the House. We appreciate you and thank you for being on this Committee. And Senator Mitchell, I do not know you as well as Jack Brooks, but I know a lot about you.

And David Pryor, Mr. Chairman, was president of our 90th class in the House of Representatives and we miss him, but he is doing well in the United States Senate. And to Frank Murkowski, that was a fine statement you made on the Cabinet-level position, and to Senator Thurmond's bill. I was very pleased to hear Senator Thurmond say they have over 40 sponsors of his legislation.

Jack Brooks set the stage for our House members. I am going to be very brief because I do not want to change anything. It seems like it is going well over here this morning and I certainly will make my comments very brief. But I think it should be pointed out, Mr. Chairman, that we had a tremendous vote on the House side for this legislation, H.R. 3471. The vote was 399 to 17.

Incidentally, Mr. Chairman, I talked to all of those 17 about what happened on their vote. I would like to say that Jack Brooks is really the key reason that we are here today. He brought this legislation out of the Committee on Government Operations, and Jerry Solomon, the Ranking Minority Member on the Committee, both of them, as has been pointed out, are Marines and they took a Marine's stance as far as getting this legislation moving in the House of Representatives.

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[1] See p. 297 for Mr. Horton's prepared statement.

[2] See p. 161 for Mr. Montgomery's prepared statement.

Mr. Chairman, when Jack Brooks provided the leadership and when he put his stamp of approval on the House bill, its passage was assured. Jack mentioned about Frank Horton from New York, the Ranking Minority Member on the Government Operations Committee. He certainly was supportive.

And Jerry Solomon, sitting on my left here, who is the Ranking Minority Member of the Veterans' Affairs Committee, went to different members and secured over 300 signatures on legislation that he had introduced to make Cabinet level of the Veterans Administration.

I will not cover the many reasons why it should be done. They have already been covered. I would like to thank you, Mr. Chairman. I know what you can do. Your help on the new GI bill—you moved that in the Senate—and had it not been for you and some others we would not have this legislation today, which actually comes under the Veterans' Administration.

Some feel that the VA is run by the Office of Management and Budget. This has been the perception for many years. Veterans' programs are too important to be left to mid-level decision makers at OMB. Policy decisions affected veterans should be made at the highest level, and I believe granting Cabinet status to the agency will certainly ensure that.

Mr. Chairman, I notice there are two former Administrators here today—Max Cleland and Harry Walters—who will testify, and also the present Administrator, Tom Turnage. They are strong men. They have been good administrators.

When I make this statement about the OMB, it is no reflection on those gentlemen. They tried to do all they could for representing the veterans and as has been pointed out, it is an insignificant cost and we feel very strongly that there is no better movement that can be made to afford these veterans the dignity and recognition they deserve. Veterans have earned the right to have a voice in the President's Cabinet.

Thank you.

Chairman GLENN. Thank you, Sonny. Thank you very much.

Mr. Solomon.

TESTIMONY OF HON. GERALD B. SOLOMON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. SOLOMON. Thank you, Mr. Chairman.

We have the National Security Act, the foreign aid bill on the floor in the House and we all have to get back over there. So most of my prepared statement is repetitive of what has been said by these outstanding witnesses here today so I will submit it for the record.[1]

Chairman GLENN. It will be included in the record in its entirety.

Mr. SOLOMON. I just have a couple of brief comments if I might.

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[1] See p. 167 for Mr. Solomon's prepared statement.

Mr. Chairman, I just want to first of all take notice that all of your members of your Committee have had strong statements in support of this legislation and that is very encouraging. I can recall talking to several members of the veterans' organizations earlier this year back in January when Sonny Montgomery and I introduced the first legislation on this issue, and they wanted to know what the position might be over here in the Senate.

I recall that both you, Mr. Chairman, and Mr. Roth, when you are in opposite positions a couple of years ago, were strong supporters of this legislation then and I told them that I am sure that you have not changed your minds at all and that you are still strong supporters. So I was very much glad to hear that today.

Let me just also pay tribute to my good friend Jack Brooks, a former Marine also, and Frank Horton, who have carried this legislation through the House very successfully, and they did an outstanding job and all of us really do appreciate that, along with Senators Cranston, Murkowski and Thurmond.

But I guess my real hat goes off to my good Chairman, Sonny Montgomery, because, as I said, back in January, Sonny Montgomery and I, when we introduced that legislation in January, it was through Sonny's great help with the veterans' organizations that we were able to get over 300 signatures of the 435 in the House, which I think really was the catalyst which pushed this legislation through.

Let me just take a moment to express my feelings about some of the shameful editorials that have appeared in the press in certain areas of this country. Mr. Chairman, those editorials did not take the position that you have taken of caution in how we ought to go about setting up this Cabinet-level Department of Veterans' Affairs. If they had, I would not be so upset.

But I can tell you, as a former United States Marine, I am so doggone upset with those editorials because almost without exception they invariably start off by saying, "They recognize the Nation's obligation to its veterans."

Isn't that big of them to say such a thing. How often have you heard people start off by saying, you know, we recognize these things? And in the same breath, they say the veterans' budget is too big because veterans have too much influence here in Washington. Now, isn't that something, that the veterans' budget is too big because they have too much influence here in Washington? In other words, they pat the veteran on the head and then they stab him in the back, and I resent it.

Mr. Chairman, let me be—just briefly—as sarcastic as some of those editorials. Not all of them, because some of them probably were sincere. But let me just say that the best reason I know to pass this legislation is to stick it to some of those editors who stand around their effete cocktail parties, eating quiche, sipping white wine, and looking down their noses at anything resembling flag-waving.

OK. If the ladies and the press would like to leave, I would have a stronger statement.

Now, let me just on a more practical matter be as brief as I can. Mr. Chairman, you all know that we have serious problems coming up with the veterans' budget in future years, for the next two decades. You, Mr. Chairman, were a World War II veteran. You know your age.

The average age of World War II veterans today is about 67 years of age. I can tell you right now, from visiting almost all of the Veterans Hospitals throughout this country, we are going to have a severe problem, a severe strain on the veterans' budget in the next two decades, starting right now, and we are going to have a severe strain on the Veterans Hospitals throughout this country in the delivery of medical care through the geriatric problems that we are going to have.

That is the best reason I know to move towards a Department of Veterans' Affairs, so that we have got the Director of Veterans' Affairs sitting in the Cabinet when Caspar Weinberger, before, and now Frank Carlucci, are fighting for the Defense budget, when George Shultz is fighting for the State Department budget. And we all have our own little fiefdoms and we all fight for what we want.

There is nobody there to be able to fight for the veteran to know the priorities. And just like Jack Brooks says, yes, we do have to tighten our belts, we have to cut back. But when we do that, we do not need somebody from the Office of Management and Budget giving advice on where to cut the veterans' budget. We need somebody sitting there who knows veterans' needs and knows what the priorities are.

So, Mr. Chairman, that is the reason we need this bill. We need it desperately in the years to come. So, in spite of being a little sarcastic earlier on, and facetious, I just want to thank you all for having this hearing. I know that you are going to pass this legislation in due process and we will all be better off for it.

So thank you very much, Mr. Chairman.

Chairman GLENN. Thank you very much, all of you. I have no questions of this group. Does anyone else on the panel have any questions?

Senator ROTH. No.

Chairman GLENN. Good. Thank you all very much, gentlemen. We appreciate you coming over this morning.

Senator Cranston, who was also scheduled to appear this morning, was unable to be with us today. However, he has submitted a letter and written testimony which I will ask be made a part of the record at this time.[1]

Our next witness is the Honorable Thomas Turnage, Administrator of the Veterans' Administration.

Mr. Turnage, we are glad to welcome you to our hearing this morning and we would welcome your statement in an abridged version or in its entirety, whatever you see fit. In either event, it will be included in our record in its entirety.

TESTIMONY OF THOMAS K. TURNAGE, ADMINISTRATOR, VETERANS' ADMINISTRATION

Mr. TURNAGE. With your indulgence, Mr. Chairman, I will ask that my formal remarks be included in the record,[2] but I do have some abbreviated remarks that I would like to share with you at this time.

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[1] See p. 300.
[2] See p. 180.

Chairman **Glenn**. Fine.

Mr. **Turnage**. I am pleased to be here today to assist the Committee in consideration of proposals to elevate the Veterans' Administration to Cabinet status. Mr. Chairman, I applaud President Reagan's expression of support for this legislation as an unsurpassed tribute to the patriotic men and women who have answered their Nation's call to duty.

This legislation would ensure that veterans' interests will continue to be given thorough and appropriate attention and a voice at the highest levels of Government. Without regard to any personal considerations, I strongly advocated within the Administration the elevation of this organization to Cabinet status. The Veterans' Administration is one of the premier agencies within the Government with wide ranging programs that impact directly on the well-being of the Nation and, in my judgment, should rightly participate in deliberations of national policy and direction.

The VA was established on July 21, 1930, to unite in a single agency the responsibility for providing Federal benefits to veterans and their dependents. The VA is now the Federal Government's largest independent agency, ranking with the largest Cabinet departments in terms of both budget and staff.

The present veteran population of 27.6 million is nearly six times the 4.7 million veterans living in the United States in the year that the Veterans' Administration was founded. Almost 80 million persons—veterans, their dependents and survivors of deceased veterans—are potentially eligible for VA benefits and services.

The fiscal 1987 VA outlays of almost $27 billion ranked ahead of 10 other Cabinet-level departments. Presently the VA employs approximately one-quarter million persons on a full-time, a part-time, or an intermittent basis. One out of every 10 employees of the Federal Government's full-time workforce is employed by this agency.

I am concerned that certain aspects of the Cabinet-status bill that recently passed the House may unduly restrict the management flexibility of any future Secretary of Veterans' Affairs. In particular, the requirement in the bill that there be 8 Assistant Secretaries appointed by the President would deprive the Secretary of the organizational latitude necessary for efficient management and responsiveness to changing circumstances.

I recommend instead that authority be provided for appointment of a number of Assistant Secretaries, not to exceed a maximum number. Furthermore, organizational latitude is restricted by other provisions of the bill that specify which functions must be assumed by these Assistants and require that all of their duties be designated at the time of nomination. These restrictions on a Secretary's ability to adapt to changing needs should be deleted.

We also recommend that if the titles of Chief Benefits Director and Chief Medical Director are to be retained, for organizational consistency, the title of Chief Memorial Affairs Director should be retained for the official who directs the national cemetery system and the state cemetery grant program. Obviously, if this suggestion is adopted there should be a corresponding reduction in the maximum number of Assistant Secretaries the agency is authorized.

We believe that ample flexibility would exist to develop an effective organizational structure if authority were given to appoint up to 6 Assistant Secretaries. The 4-year terms of office for those who would direct the health care and benefits programs should also be deleted until initial Senate confirmation. These officials should thereafter continue in office at the pleasure of the President. The legislation should also provide the President authority to reappoint an incumbent without need for reconfirmation.

Second, if they are to be appointed by the President, the President should retain unencumbered authority to remove them, just as he may other appointed officials of this or other Executive departments. With one notable exception, the House bill would authorize incumbent VA officials to perform the functions of key officials of the new Department of Veterans' Affairs on an acting basis pending presidential appointments to fill the positions.

To assure continuity, we recommend that the incumbent General Counsel also be authorized to act in that capacity until action is taken to fill the position under authority of the new statute.

Mr. Chairman, we have appreciated the receptivity of this Committee and others in Congress to our recommendations for developing the enabling legislation. We intend to continue working closely with Congress in framing appropriate conforming changes to Federal statutes. But a requirement that the Secretary propose such legislation has separation-of-power implications and should therefore be deleted.

I appreciate the opportunity to advise this Committee on this matter of great significance to veterans and would be pleased to respond to any of your questions, sir.

Chairman GLENN. Thank you, Mr. Turnage, very much. I think if there is no objection we will go to 5 minute questions this morning since we do have a long series of witnesses this morning and there are several members here.

I will start off and we will keep time on a 5 minute basis, please.

One of the reasons why the elevation is seen as a necessary step is the lack of attention currently given to the Administrator of VA in very key budget and policy decisions.

How often have you met with the President on veterans' affairs matters, Mr. Turnage?

Mr. TURNAGE. I have met with him what I consider to be every time I had the need to do so.

Chairman GLENN. How many times would that be, for instance?

Mr. TURNAGE. As administrator, I have met with him 8 or 10 times, but I must suggest also, to be completely candid and not give the wrong impression here, that each of those times was not with regard to budget matters or other critical matters relating to the agency.

Chairman GLENN. Did you meet with the President before he made his decision to elevate the VA to Cabinet status?

Mr. TURNAGE. I met with the Chief of Staff because at that time the President had a death in his family and he was departing from the city. But I am informed first-hand that he read the paper that we submitted to him in that regard and it was instrumental in his making the decision that he did.

Chairman **Glenn**. We have Cabinet-level councils on domestic and economic policy. Are you included in their deliberations?

Mr. **Turnage**. Yes, sir, and last week was the last attendance at that particular forum.

Chairman **Glenn**. How about the President's Council on Management Improvement? Does your Associate Deputy Administrator for Management participate in that?

Mr. **Turnage**. He does, indeed, sir.

Chairman **Glenn**. How about your Inspector General? Does he participate on the President's Council on Integrity and Efficiency?

Mr. **Turnage**. He does, sir.

Chairman **Glenn**. How often have you met with the OMB Director regarding budget or management policy at VA?

Mr. **Turnage**. That is quite frequent. But more than with the Director himself, with Mr. Wright, his Deputy, and with other people who have oversight for our agency. We do that on a continuous basis and it is not specific meetings but continually.

Chairman **Glenn**. The estimate of costs of a new VA at Cabinet-level status have varied quite widely. One estimate has been it would only cost $30,000 or so because of a couple of elevations there. Another estimate was $1.4 million.

We have had no estimate from OMB yet. Has there been any reason why they have not given an estimate on this? I think it has been requested but I do not believe they have made a study on this.

Mr. **Turnage**. I can only hypothesize. I think it is probably because they agreed with the estimate that we provided, sir.

Chairman **Glenn**. Which was what?

Mr. **Turnage**. Which is roughly what you suggested. The $30,000 or $40,000 related to salaries is relatively inconsequential, as you know. The other figure of $1.3 or $1.4 million relates to normal transitory-type activities including the changing of signs, stationery, and those kinds of things which would be more cosmetic than in depth.

Chairman **Glenn**. Two previous organizations elevated—Education and Energy—to a Cabinet-level status, we have seen about a 10- to 15-percent increase in just their administrative costs. Not to benefit education or not to do better energy research or anything like that, but their administrative costs seemed to go up when they got Cabinet-level status.

How are you going to prevent that from happening?

Mr. **Turnage**. We think, first of all, the essential difference between those two organizations and the one we represent is the fact that we are in being and we have been since 1930. The requirement we have, the mission, and the scope and breadth of it is fully specified and we understand that and have been working on an ongoing basis with our oversight committees.

So we see no change in that thrust. And there would be no other requirements associated with our mission which would change because of this change of status.

Chairman **Glenn**. One of the bills, of course, has a very definite change of organization; eight Assistant Secretaries, 11 under-whatever it is. There are a whole bunch of different things here. It is difficult for me to see how we elevate all of these people here to new levels of titles and so on without increasing expense more than has been proposed.

How do we prevent that?

Mr. **Turnage**. I think in principle, sir, we are simply suggesting what would happen to the Administrator and the Deputy Administrator. They would only change titles. Some of the other staff functions that we have there would simply change titles but not functions.

And essentially, in my prepared statement that I submitted earlier, where we have the three individuals who run departments now, it may well be that they would retain their titles of chief of their functions to include chief of the health services, chief of the department of veterans' benefits, and chief of memorial affairs. Their titles would not change at all.

Chairman **Glenn**. I am concerned that we not over-politicize the VA. I am very concerned about that.

What level of presidential appointment do you think we should have? I mentioned in my original opening statement—it was not in my statement but I added it to it—that in talking about Social Security, comparing it to this, that the Social Security people say they do not want—most of them have said they do not want a Cabinet status for Social Security because they do not want to politicize it, that they have got bipartisan support for Social Security now and they want to keep it that way.

If we get a lot of presidential appointments involved here, how are we going to keep politics out of the VA?

Mr. **Turnage**. Mr. Chairman, I think that that perception is inconsistent with fact if you analyze what is proposed here.

Right now our agency, the second biggest in the Government from the standpoint of personnel, for example, we have three presidential appointees—the Administrator, the Deputy Administrator and the Inspector General. If we make this change, we are talking not to exceed a dozen, for example, on the outside.

Chairman **Glenn**. That is a pretty big increase. That is a 400 percent increase in presidential appointees, if you want to put it on a percentage basis.

Mr. **Turnage**. What we did sir, we went to all of the other Government agencies of Cabinet level and so forth and we analyzed those. We would still be smaller than any of them relating to the so-called politicization concerns.

Chairman **Glenn**. Well, why do you want to go down that road of more political appointees?

Mr. **Turnage**. I am not sure. It was a thrust.

Chairman **Glenn**. What advantage is this going to be for the average veteran out there someplace to have more political appointees in the VA?

Mr. **Turnage**. Well, it seems to me, sir, that you are able to get people who have the philosophy of the Administration and its support for the veterans' programs and you would be able to put those people in key positions and have greater flexibility on being sure as a safe-guard that they are responding to the philosophy that you are trying to accomplish.

Right now, for example, in the civil service status you lose that kind of flexibility.

Chairman GLENN. My time is up. I do not want to get in a debate with you here this morning. I am here to ask questions. But I would just say in—not in rebuttal, necessarily—but I would say you enjoy very bipartisan support now. There is no doubt about that.

Mr. TURNAGE. We do.

Chairman GLENN. You do. And it would seem to me that lousing up a good situation is what you are taking a chance of doing by going down the political route where you begin to get arguments going back and forth as to whether it is the Democrats advocating something or the Republicans and you just automatically get some opposition on the other side just from that. It does not have anything to do with veterans.

I have been a little concerned about this politicization and I think we have to look at that very carefully.

Mr. TURNAGE. If I may respond just simply by stating, the recommendations that I suggested are more conservative than those which are contained in the House bill.

Chairman GLENN. I just do not see going the political route as gaining you more support. You already have good support and I just do not want to foul it up, that is all.

Senator Roth?

Senator ROTH. Thank you, Mr. Chairman. It is indeed a pleasure to have you here, Administrator Turnage.

Mr. TURNAGE. Thank you, sir.

Senator ROTH. I think all of us are concerned about this question of politicizing the Veterans' Administration. I am sure you agree, too, that it is important that our structure continue a strong bipartisan support.

Mr. TURNAGE. Indeed.

Senator ROTH. Let me turn a minute to something the Chairman has already directed a number of questions. We are all concerned about costs, particularly administrative costs. And as I understand it, you do not anticipate this legislation increasing costs very much. Do you have any ball park estimate of what the increased cost will be?

Mr. TURNAGE. The only two costs that we suggest will occur, based upon this specific legislation, Mr. Roth, relate, one, to the salaries of the people who might be upgraded as a result of this; and second, to the cosmetic changes associated with the change—signs, stationery and those kinds of things. Administratively we see no increased costs.

When someone asked me about whether or not down the pike there will be increases in the VA budget, I answered yes, sir, I see that there will be; simply because of the normal processes of increases resulting from COLA, the normal cost-of-living increases that we are associated with each year, and the fact that we have in the system a continuous increase in the aging of the veteran population which, in my judgment, is probably going to be translated into a greater commitment for health services and responses.

But in specific response to your question regarding the increased administrative costs, I see none of that, sir.

Senator **Roth**. Let me just follow through on an additional question in this area, because from what I understand of your testimony, the changes are very limited.

But isn't the tendency going to be down the road for this new Cabinet department, which I hope comes into being, that people are going to say, well, if we are going to raise the salaries of the head and the deputy head, then we have got to have this proper interrelationship, so aren't you going to, down the road, have a rippling effect?

Mr. **Turnage**. We do not think so because on the basis of the analysis that we have made thus far, to include the proposals that have been suggested to this Committee, pay grades would be consistent with the other executive departments within the Government. As a result of that, I do not believe there would be the kind of further commitment that you suggest.

Senator **Roth**. So you do not see any future need for readjustment?

Mr. **Turnage**. No, sir, I do not.

Senator **Roth**. Let me go to the point you just raised, which I think is of interest to us, and that is the fact that the age of the veterans, of course, is rapidly changing. They are becoming older and older and that means the kind of service they need will significantly change too.

Do you have in place the kind of structure, the kind of planning, research studies necessary to anticipate these changing needs?

Mr. **Turnage**. Yes, sir. As a matter of fact, we think of the VA as a forerunner within this Nation—compared with the private sector and otherwise—in all kinds of proposals to become better acquainted with the needs and requirements associated with the geriatric trends.

We have within our health system different offices set up in different parts of the country now which are studying that, and there are a number of pilot programs that are being used to ascertain how best to accommodate the needs of the aging veteran. So we think that we are ahead of the power curve and ultimately some of the things that we will develop will inure to the benefit of the entire society and not just the veterans themselves.

Senator **Roth**. Isn't it true, too, that with these changing needs, that making the Veterans' Administration a Cabinet department, the head of the agency, the Secretary will be in a far better position to advise the President and, as I say, the inner circle on the changing needs so that it should help enable the Veterans' Administration to do a better job of keeping up with the current needs and changes required by the changes in the veterans groups?

Mr. **Turnage**. Indeed. But if you will allow me, I would like to expand on that response just a little bit.

In this Administration, every time I have needed an ear to get support for some specific initiative, I have had that kind of interface and I have never felt deprived of that opportunity. I must suggest, however, in response to your question, when someone sitting in a Cabinet-type forum, speaks about housing, we have guaranteed 12 million houses; when someone speaks of education, we have administered educational programs for 18 million people; when someone speaks about compensation and pensions, we are the forerunner in it; when someone speaks of life insurance, we are the fifth largest insurer.

We have an interface in the Nation that I think sometimes is overlooked and I believe in that forum, sir, it will enhance our stature and also give a better appreciation of the VA role in the country.

Senator **Roth**. I think the fact is that while there has been good communications in this Administration, we have to face the fact that there are going to be future Administrations and as time moves on, the number of veterans will be reduced, so their political punch will diminish at the very time when they may need the most help, so that this kind of structural change will help ensure an effective voice for the veterans.

Mr. **Turnage**. Indeed. And it has been repeated here often this morning by each of those who have made contributions to these proceedings. But the point is, an agency that has an impact on a third of the society, it seems to me, should have a presence in that kind of forum.

Senator **Roth**. Thank you, Mr. Chairman. My time is up.

Chairman **Glenn**. Thank you, Senator Roth.

Senator Mitchell?

Senator **Mitchell**. Thank you very much, Mr. Chairman.

Good morning, Mr. Turnage.

Mr. **Turnage**. Good morning, sir.

Senator **Mitchell**. I want to follow-up on your last point about the areas of policy in which the VA has expertise and in which it could make a contribution to the development of national policy.

In his statement, Mr. Walters, who will follow you as a witness, says, and I quote him, "Recently, issues concerning long-term care, the problems of homelessness in America, and the AIDS epidemic were all the focus of high level policy decisions. The Veterans' Administration, with comprehensive, effective programs in each of these areas, was absent from the table while discussions were held and decisions were made establishing national direction."

Is that true?

Mr. **Turnage**. I think that Mr. Walters served in a most distinguished way and I am still the benefactor of some of the programs that he put in effect at the VA before me.

I must suggest, however, I think we have a parting of the ways here in a matter of degree. We have representation in the forums where I think it is important in order to make these decisions and I think we have been able to influence that and I feel pleased about the opportunity to have been involved, for example, in discussions about any of the major issues which affect us, and where we feel we do not, we make an issue about it.

Last week, for example, we were at the Domestic Policy Council discussing some issues that involved our agency and I was there and I had an opportunity to make my views known. I have not felt that absence of the opportunity to participate.

Senator **Mitchell**. Well, you seem to be making two conflicting points. One is that we have to make the VA a Cabinet-status agency to give the VA a greater voice, but you suggest that you have not been denied any opportunity to participate and in fact have been satisfied with the voice you have had.

Are those two statements reconcilable?

Mr. **Turnage**. I do not think they are inconsistent, sir. In a lot of cases, it has to be at the initiative of the VA or people who represent us in the different facets of involvement that we get within the Government as a whole. For example, going to someone else, or going to another agency, or working with this agency in order to get the product that we ultimately want.

If the individual who is the Administrator or the Secretary sits at the Cabinet function, some of it can be done there in a forum involving everyone at once. So I believe that one does not necessarily diametrically oppose the other.

Senator **Mitchell**. Well, let's take the issues Mr. Walters mentions. What was your contribution to the Administration policy on homelessness?

Mr. **Turnage**. We were involved in that from the standpoint of the oversight Committees and their deliberations. We were involved in it with the HHS efforts relating to this issue. We were involved in it with the discussions with OMB. We were involved with it in all aspects which affected the health implications of our system because we are already impacting on the homeless in the Nation.

And I am sure that there are other forums in which we are involved in it, but the breadth and scope of our activities may deny me the intimate knowledge of precisely where all of those may have been.

Senator **Mitchell**. Now, "we were involved" is a general phrase that could cover a whole range of activities.

Mr. **Turnage**. Of course.

Senator **Mitchell**. You are telling us that in the establishment of policy for the Nation by the Administration on the issues of long-term care, homelessness and AIDS, you have been an active participant in the development of that policy? That you have had input into Administration policy, you have been consulted and you are satisfied that the VA has played an appropriate role in the development of that policy?

Mr. **Turnage**. I think that is a fact. Last week, for example, at the Domestic Policy Council, the subject of AIDS was a principle issue discussed and I was there to be a participant in that.

However, it is ongoing, Mr. Mitchell, as you know, with all of these subjects. But when you talk about long-term care and when you talk about geriatrics and when you speak about some of these others, it is not a matter of our having to go to help make the policy. In some cases, we are making it in our system.

Senator **Mitchell**. Right. Well, as you know, I support the elevation of the VA. I am a cosponsor of the legislation to do so. Some aspects of it raise questions which Senator Glenn touched on, and I would like to raise them with you.

Why should the chief medical director of the Veterans' Administration be a political appointee by the President, subject to confirmation by the Senate?

Mr. **Turnage**. First of all, he is one of the most important people in the entire system and he has probably one of the greatest management roles in the entire system. And the fact is, consistent with the organizational structure and the appointee process throughout the entire Government, that system should be used.

As a practical matter, under Title 38, at the present time he is appointed for a 4-year term. From a theoretical point of view, some people would say that renders his position sacrosanct, that he cannot be touched. But from a pragmatic point of view, the Chief Medical Director under my predecessor, Mr. Walters, left early, before his term was completed. And the one that was in the office when I arrived there left of his own volition before his term was completed.

Senator **MITCHELL**. Well, of course, making them political appointees does not guarantee people will not leave office.

Mr. **TURNAGE**. Indeed, excepting to say, simply, that if in fact you bring these people in to run the system and they have such an important role, if it is an appointee position, then the prerogative should be with the President. If he appoints him, he could also remove him.

Senator **MITCHELL**. Could I ask just one more question on that point, Mr. Chairman?

Chairman **GLENN**. Sure.

Senator **MITCHELL**. Has the current medical director—in your term as director—has the current medical director been impaired in the performance of his duties as chief medical director by virtue of the fact that he was not a political appointee by the President and confirmed by the Senate?

Mr. **TURNAGE**. I do not think he has been impaired one bit.

Let me please respond to that, however, in a more full fashion. First of all, I had the responsibility for the appointment of that individual and we sought the advice of all the professional organizations, to include the American Medical Association, we sought the recommendations of people from the oversight Committees, we sought the recommendations from the people who are in veterans' service organizations, and we established a Committee to come up with ultimate recommendations of a number from which I would make that selection.

To date I do not know the political judgment of that individual or any of his other hierarchy other than his professionalism. The point is, he is doing the job that we would have wanted and I would have selected him on that basis regardless of the other considerations.

Senator **MITCHELL**. Mr. Chairman, thank you very much.

Thank you, Mr. Turnage. I have got several other questions for this and other witnesses but I will not be able to remain, so I am going to ask, Mr. Chairman, for the permission to submit questions in writing to other witnesses.

Chairman **GLENN**. We will indeed. To all of our witnesses today, we may submit additional questions if members or their staffs have additional questions. We would appreciate an early reply to those so we can include them in the record.

Thank you. Senator Heinz.

OPENING STATEMENT OF SENATOR HEINZ

Senator **Heinz**. Mr. Chairman, thank you. I ask unanimous consent that my full opening statement appear in the record at this point.

Chairman **Glenn**. Without objection, it will be included.

Senator **Heinz**. I would just say, Mr. Turnage, the Department of Veterans Affairs certainly ought to include advocacy for and accountability to Congress for assistance to our former servicemen and women. I suspect you agree with that.

And one of the concerns I have about the way the VA has worked in the past is it has not always functioned as an effective advocate for our veterans. I have three or four things in mind and then I am going to ask you a couple of questions.

But one of the things I have in mind is the September 1 release of the report, the study on the unexplained excess of deaths from non-Hodgkin's lymphoma—an unusual form of cancer—among Marines who served in Vietnam. That study was evidently completed not in September, but in February.

With regard to ex-prisoners of war, the American Defenders of Bataan and Corregidor, Inc., have repeatedly told my office of VA Rating Board decisions and how they differ from one region to the next and that many ex-POWs do not receive adequate care and compensation for what many of us consider service-connected disabilities, which is why Senator Thurmond and others introduced and enacted various bills.

Third, I must say, I have had some personal frustration, and people at my office have shared it, when we have attempted to help veterans with their claims when military records have been lost or destroyed by fire.

The VA simply sends back a form noting that the records have been lost and there is no effort made to assist the veteran except, "go get a lawyer," "swear out affidavits," and the veteran is asked to do all the work.

In testimony given last March, one VA employee, Mr. Abrams, stated that he found VA regional offices denying fully legitimate claims for disability benefits, requesting information from claimants which was not required by VA regulations, and otherwise acting in a way which calls into some question the fairness of the VA decision making process. And of course we know that if a veteran is turned down, that is it, by the VA.

There is no recourse except to come to Members of Congress and beg. And I do not think our veterans should have to beg.

[Senator Heinz' prepared statement follows:]

Prepared Statement of Senator Heinz

Mr. Chairman, I want to commend you and the committee for moving forward so promptly on the proposal to elevate the Veterans' Administration to a Cabinet-level department.

The committee has before it today an outstanding set of witnesses. I want to recognize and commend Senator Thurmond, Congressman Jack Brooks, and my other colleagues who have worked for so long to bring this legislation forward. We will also hear today from representatives of the Veterans Service Organizations, who have quite rightly made this proposal a high priority for the Congress.

I have in the past joined as a cosponsor of Senator Thurmond's bill. There is much in it which is commendable. The Veterans' Administration, with a $27 billion annual budget which affects some 28 million Americans, is one of the largest and most complex agencies of the Government. The VA operates 172 medical centers, 227 outpatient clinics, 115 nursing home care units, plus vets centers, 17 regional offices, and over 100 cemetaries. The VA administers the largest single hospital system in the Nation. I believe it should be represented in the highest councils of our Government.

At the same time, many members of this committee want to be certain that any approach we take to elevate the VA provide for the most effective management, and establish an agency which is responsive and efficient.

The role of a Department of Veterans' Affairs should certainly include advocacy for and accountability to Congress for answers to our former servicemen and women. Yet, in my experience, the Veterans' Administration has seldom filled this bill. From agent orange victims to former prisoners of war, we in Congress have repeatedly resorted to legislation when the VA would not act.

I am among those deeply troubled by the leaked release, on September 1, of a VA study on "unexplained excess of deaths from non-Hodgkins Lymphoma, an unusual form of cancer, among marines who served in Vietnam." The study evidently was completed in February, but is undated. At the same time, the VA denies thousands of agent orange-related claims every year. As a result, I have joined with Senator Daschle in introducing S. 1787, to provide a presumption of service connection for specific agent-orange related diseases.

With regard to ex-POW's, the American Defenders of Bataan & Corregidor, Inc., have repeatedly told my office of the disparity in VA rating board decisions from one region to the next. Many ex-POW's did not receive adequate care and compensation for what I considered service-related disabilities. Thus Senator Thurmond and I introduced S. 2168 in the 99th Congress, and Senator McCain and I introduced S. 1451 in this Congress. These bills provide further presumptions of service connection for ex-POW's. My concern in these cases is, with better cooperation from the VA, all of this legislation might not have been necessary.

At the same time, my office is repeatedly frustrated in efforts to help veterans with their claims when military records have been lost or destroyed by fire. The VA simply sends back a form noting that the records have been lost. No effort is made to assist the veteran, he must then seek affidavits and legal support, on his own, for his claim of service-connected injury. In many other matters, my office usually must wait 6 months for a final response to an inquiry, when there is any response at all.

Finally, in testimony given last March, VA employee Ronald Abrams stated that he found VA regional offices denying fully legitimate claims for disability benefits, requesting information from claimants which was not required by VA regulations, and otherwise acting in a way which calls into question the fairness of the VA adjudication process. I would add that a veteran denied benefits in that process has no recourse.

Congress should expect that a Cabinet-level department will be accountable for its actions. I hope that today's hearings will help us learn ways in which the VA can be held accountable for the problems I have described, and move the agency toward taking responsible actions. Certainly, any legislation establishing the VA as a department in the Cabinet should ensure that VA is fully accountable for its actions.

Senator HEINZ. The legislation that we have before us is different from the House bill. The House bill creates eight Assistant Secretaries and specifies their functions very clearly. You, on the other hand, would rather not have us specify exactly how many there ought to be or exactly what those people ought to do.

Isn't this just one more instance of the VA wanting to have an absolutely free hand to do anything it wants?

Mr. TURNAGE. No, sir. I think it is absolutely consistent with, for example, the legislation which created the other two cabinet agencies that were accomplished during our time where that kind of latitude was given to the management structure, as opposed to having micromanagement associated with it.

I think that it is important to give the Veterans' Administration, on its day to day missions, as well as during this possible upgrade in its departmental status, some flexibility in the management function so that some discretion can be exercised by the people responsible for its overall productivity.

However, may I respond to your first comments?

Senator HEINZ. In a minute.

Mr. TURNAGE. There were a number of questions you asked.

Senator HEINZ. Well, I did not ask any questions. I made a bunch of statements and I will give you some time. But let me finish this question because what you are saying is you want flexibility.

The kind of broad discretion that you ask for seems to me to be the equivalent of asking Congress to cede its responsibility for holding agencies accountable for policies set by Congress to you.

It seems to me that what I need to understand from you is, if we follow your advice—which is let me do whatever I want, give me total management flexibility—how can we in Congress hold the Veterans' Administration functionally accountable for performing the responsibilities that we have designated and charged and asked you to faithfully perform?

Mr. TURNAGE. I think inherent in the presentation that I made, Mr. Heinz, was the proposal that the Assistant Secretaries be at the key staff levels that routinely are considered to be in that kind of responsible role in the agency now.

There are some finesse kinds of structure that may be accomplished there that we are not sure of yet because we have not had a chance to analyze it to that extent.

But we also suggested that the three people who run the departments may still retain the title of chief of those departments, which once again would establish continuity with what they have been doing and add further clarification to what their role would be for the future.

For example, one of the finesse changes I was suggesting is that now we have public affairs in one function as separate and distinct and we have Governmental affairs separate and distinct.

But in most of the other Cabinet-type agencies, they have combined those two functions and put it under an Assistant Secretary.

We may well want to do that. But if that option is denied us by defining in advance what that situation is, then later we are relegated to the role of having to go and ask for special legislation to change it. That is the kind of flexibility I suggest we would like to have.

Senator HEINZ. Let's take a specific instance, one that I suspect you would like to say something about, and that is the leak of the Proportionate Mortality Study.

Now, frankly, I find the withholding of that study, irrespective of what anybody at the VA says, and I know you are going to say, well, we would have released it the next day——

Mr. TURNAGE. We did not withhold it, sir.

Senator HEINZ. I understand that that is what you are going to say, but the fact is that it was down there since February or March and no one has come up with a very satisfactory explanation of why it sat down there gathering dust.

What I am really interested in, though, is what, under the Department of Veterans' Affairs, mechanism there will be for us to hold that department accountable for the timely production and release of information?

You say—and maybe you are right—I have no reason to believe you are right—but you say that you would have released it in any event. I mean, obviously, after someone is caught robbing the cookie jar, someone says, "well, I was going to tell my mom anyway."

This kind of issue is something that I would like to be sure, as we determine the shape of the organizational responsibility of the VA, we have a very clear understanding of who at the VA is going to be accountable for what. Right now, you are the only person that we can hold accountable.

Mr. TURNAGE. I think the buck stops here, sir. I think I am responsible. I accept that responsibility and, in my judgment, that is the way it ought to be. If it goes well, I will take that, but if it does not, I will take the blame.

Senator HEINZ. That is what the President says about the Iran/Contra affair, "I'm accountable, I'm responsible." Now, does that mean that we should simply cease and desist any investigations of any of the people who work for him?

Mr. TURNAGE. There is a perception, and there is an allegation here, that in my judgment goes without foundation and it is an implied criticism that is not fair as I perceive it.

First of all, in order to understand what happens with all such studies that you relate to here, it is important to know before a study is released to any agency or even to the oversight committees where they would have the obligation of then supporting whatever legislation is necessary in order to accommodate the findings of that study, we still go to the medical journals and ask for its validity. That is routine. It has been followed for years that way.

The second thing we do is we put that kind of study before the advisory committee panels that we have that are created statutorily in order to provide that kind of expertise to the Administrator so that he can make a reasoned judgment. Those people are selected without regard to political affiliations and possess the finest expertise that you find in this Nation. That study was sent first to the periodical, they chose not to publish it and returned it to us, all of which took time, and then that study was put before a committee and it is better to have the committee make the analysis of that——

Senator HEINZ. Excuse me, just so I understand, the advisory committee?

Mr. TURNAGE [continuing]. The advisory committee within VA, but they consist of people outside the VA from all regimens who have expertise in this area and these people then made a judgment and recommendations to me. Now, it is better to have that determined by them as opposed to having it debated in the public forum before anyone has the advantage of their expertise.

Senator HEINZ. And what was that recommendation and when did they make it?

Mr. TURNAGE. The recommendation that finally came back to me was that the study's findings, while statistically significant, should be interpreted with caution and were not conclusive, and that further analysis was required. We are doing further analysis now as a further extension of that study and others that we are involved in, before making any final determination.

Now, subsequently we found out that maybe one of the medical journals still may now publish that study based on some of the changes that have been made to it.

Senator HEINZ. And when were those changes made?

Mr. TURNAGE. I cannot tell you that, Senator.

Senator HEINZ. Well, the bottom line—and I have exhausted my time—is how are we going to hold the individual functional elements of the VA accountable? We cannot have you up here all the time.

Mr. TURNAGE. I think it is axiomatic, Mr. Heinz. Right now, if you do not choose to hold me responsible, you still have a medical director there now whose role will not change, nor will the scope of the structure within the agency.

Senator HEINZ. Thank you, Mr. Chairman.

Chairman GLENN. Thank you.

Senator Levin?

Senator LEVIN. Good morning. Thank you, Mr. Chairman.

My understanding is that the President can make the VA Administrator a member of his Cabinet at any time he wants to. In fact, the previous President, President Carter, did have his VA Administrator sit as a member of the Cabinet, even though the VA was not a department at that time.

Do you know why President Reagan has not invited you to sit in the Cabinet, since he supports the VA becoming a department now?

Mr. TURNAGE. No, sir. My principal role in this entire affair from the start has been to support it within the administration, and I have tried to do it in a most delicate way without personal implications, and I am not going to use those forums in order to try to change a status which could be misconceived by some people and create a wrong perception of it.

So, I have not been involved in that and I cannot tell you whether or not your first statement was true, that he has the authority to do that now. I have not even inquired.

Senator LEVIN. Well, assuming that it is true, do you know why he just simply does not——

Mr. TURNAGE. No, sir.

Senator LEVIN. Make you a member of the Cabinet?

Mr. TURNAGE. I have not discussed that fact with him.

Senator LEVIN. Well, is that not a pretty critical issue for us, while we are working on this legislation which would make the VA a department? One of the effects of that is to make the head of the VA a secretary of the department and have Cabinet status, but the head of the VA can have Cabinet status right now without us doing anything.

Mr. TURNAGE. It may be less delicate if you made that recommendation, sir, as opposed to me.

Senator LEVIN. Well, sir, you have advocated the elevation to Cabinet status, have you not?

Mr. TURNAGE. Yes, sir, he has and——

Senator LEVIN. No, you have.

Mr. TURNAGE. I have.

Senator LEVIN. So what is the delicacy? You have already advocated this.

Mr. **Turnage**. First of all, if this legislation passes, sir, and the department is elevated from an agency to a department, then it still is within the President's prerogative to make his choice of who that secretary will be and, according to the legislation as I understand it, the incumbents would remain in an acting capacity until that determination was made.

So, I think that because of the personal implications of that, that would be someone else's choice, not mine.

Senator **Levin**. Mr. Chairman, I think it would be useful for our Committee to ask the President why the VA Administrator has not been given Cabinet status since he supports the Veterans' Administration becoming a department. Could we make that inquiry of the White House?

Chairman **Glenn**. I am sure we could.

Senator **Levin**. President Carter did do this, and one of the advantages of having the VA as a department is that the Administrator then becomes a Secretary and sits in the Cabinet. That again can be accomplished. I assure you, there are now members of the Cabinet who are not heads of departments.

Mr. **Turnage**. Yes, sir.

Senator **Levin**. And I assure you also that the VA Administrator under President Carter was a member of the Cabinet. I assure you of both those things. That being true, I think it would be useful for this Committee to ask the question which apparently you find too delicate for yourself to ask.

Mr. **Turnage**. I hope you appreciate my position.

Senator **Levin**. Not really, frankly. You have advocated this strongly, you say in your testimony, "I strongly advocated within the administration the elevation to Cabinet status."

Mr. **Turnage**. Yes.

Senator **Levin**. It sounds to me like you have already strongly advocated within the administration the elevation to Cabinet status, so I do not understand the delicacy of your position, but, nonetheless we will find out the answer to this question.

As far as you know—well, can you tell us to whom you have advocated your position?

Mr. **Turnage**. Within the administration?

Senator **Levin**. Within the administration. To the President or to OMB or whom?

Mr. **Turnage**. I advocated it to the administration, to the OMB, and advocated it to the Chief of Staff, Mr. Baker.

Senator **Levin**. Have you ever advocated it to the President himself?

Mr. **Turnage**. Not to himself.

Senator **Levin**. All right. Just one other question: Do you see the President's endorsement of a Cabinet level VA as being inconsistent with his earlier position that we abolish the Department of Education?

Mr. **Turnage**. None whatsoever, sir. It just seems to me that, of course, this perception has been there and this is one of the concerns that has been expressed by a lot of people. The fact is, though, this is not creating a department, our agency is there and its impact, is very profound, not only on the social structures and economies, but all across the board within our Nation. It just seems to me that the President's endorsement is, in the final analysis, a testament to his support for the veterans of the Nation.

Senator **Levin**. Thank you.

Chairman **Glenn**. Thank you, Senator Levin. I hope during this next round we may be able to keep them under five minutes, if we could. I just have a couple of questions additional that I wanted to ask.

There was an article in the Wall Street Journal yesterday, and I am sure you read it, by Mr. Gerald Seibe and Joe Davidson, and it quoted a White House senior aide as saying that the new Veterans' Department could be "a budget buster, because there will always be somebody at the table yelling for more money for veterans." That is a quote of a supposedly high staff person over at the White House. Has anyone at the White House expressed that view to you?

Mr. **Turnage**. Not at all, sir.

Chairman **Glenn**. Is it your opinion that the White House staff is opposed to a new department as far as you know? Because the article goes on to say that the decision memorandum that was submitted to the President by the White House staff recommended against a new department, and the staff at the White House was I think—I do not know whether they used the word "shocked," but they indicated that anyway, they were shocked when the President went against their staff decision and said we are going to have a new department. What is going on?

Mr. **Turnage**. Mr. Chairman, I do not know who "they" are. I know that in some instances people expressed their concerns and reservations about having it elevated to Cabinet status, and I think it relates back to Mr. Levin's reservation earlier about expansion of government or big government. But some people in the White House advocated it and supported the position that I took.

What happened in the final analysis, I was in the forum with the Chief of Staff, with others there, and it was explored and finally he asked for a point paper that could be presented to the President since he could not be present at that particular time because of a death in the President's family.

Chairman **Glenn**. What do you know about——

Mr. **Turnage**. And he took that and then later, as you know, the President made the decision.

Chairman **Glenn**. The decision memorandum is the formal way they go about presenting this.

Mr. **Turnage**. Yes.

Chairman **Glenn**. Was a decision memorandum opposing this proposal submitted to the President?

Mr. **Turnage**. I have not seen one. I do not know that.

Chairman **Glenn**. Well, have you been told that there was such a memorandum recommending against this?

Mr. **Turnage**. I was told that the paper that I prepared would go to the President for his determination. I suspect that it had some effect, because he ruled in our favor.

Chairman **Glenn**. Has anyone indicated to you, either formally or informally, that the White House staff recommended against it?

Mr. **Turnage**. No, sir.

Chairman **Glenn**. They have not?

Mr. **Turnage**. No.

Chairman GLENN. OK. One other question: The GAO does a lot of studies for us, and they do their audits, of course, and the General Accounting Office audits of the VA seem to suggest that there may be a problem with turnover that is giving us a lot of problem. The VA has had four Administrators and five Chief Medical Directors in the past ten years. Now, that is too high a turnover, and I would submit that I am not arguing on either side of this except to say that no system, no organization, I do not care whether you keep it as VA right now or make it a department, good people can make any system work, but no system is going to work without good people. Now, how do we get more continuity. How do we get more people there? How do we attract better people into top VA positions and keep them there?

Mr. TURNAGE. Sir, I have to tell you that I have served in the military for some 39 years and I served in the government as the Director of Selective Service for four and a half years, and now I have served with the VA for the greater part of two years, and I have to tell you unequivocally from my point of view that you have a quality of person over there, highly qualified professionals, that is exceptional in any government agency.

Chairman GLENN. I do not question that. I am talking about the turnover of leadership. The VA has had four Administrators and five Chief Medical Directors in the past ten years, and just changing the organizational chart is not going to change that turnover, apparently. Good people make any system work, and no system is going to work without good people.

Mr. TURNAGE. Well, I think earlier you suggested that you are going to get some normal turnover in any particular——

Chairman GLENN. Let me make certain that I did not give any—I do not want anybody to imply that I think that there are lousy people working at the VA. But you cannot have a turnover of leadership like that and really carry out good programs on a continuing basis.

Mr. TURNAGE. I understand that. I think if you will look at the overall picture, you will find that there may be a different perception aside from the two specific cases you indicated here about the continuity that exists in the principal positions in the VA. But it is a dynamic organization, like any other, and simply by nature of the structure in it, you are going to have continuous turnover in some of the important positions.

If you have 172 hospitals and they are graded on three different levels of importance, for example, any time you have retirements at the top, you have some turbulence within that structure, and so the same thing exists within the other infrastructure there. I am not concerned about them, Mr. Chairman. I think it is consistent certainly with the private sector.

Chairman GLENN. Well, these are not normal retirements, I do not think. This is a turnover and we have too much churning at the high levels of government, and the VA, I just do not want to see that and I do not think we are going to correct that by making it a department, but I am concerned about it, because if we make it a department, we still have 11 under secretaries or whatever they are going to be when we come out of this, whatever we negotiate between these bills, and that is not going to solve the problem of churning or too much churning of leadership at the top level, and I hope we can address that also.

My time is up. Senator Heinz?

Senator **Heinz**. I have no further questions.

Chairman **Glenn**. Senator Levin?

Senator **Levin**. Nothing further. Thank you.

Chairman **Glenn**. Senator Sasser?

OPENING STATEMENT OF SENATOR SASSER

Senator **Sasser**. Mr. Chairman, I have an opening statement which I would like to have included in the record.

Chairman **Glenn**. The statement will be included in the record.

Senator **Sasser**. Thank you.

[The prepared statement of Senator Sasser follows:]

Prepared Statement of Senator Sasser

Mr. Chairman, I commend you for holding these timely hearings today on legislation that will give Cabinet-level status to the Veterans' Administration.

Many of the witnesses today will testify on behalf of this legislation—and with good reason: The Veterans' Administration is one of this Nation's largest agencies of Government.

Its budget ranks fifth among all Federal agencies and its fiscal responsibilities dwarf that of many departments with Cabinet-level status. The Veterans' Administration provides a wide variety of services to our veterans—ranging from health care to home loans to pension benefits. The VA operates the largest health care system in the Nation. It employees some 47,000 physicians and nurses. And only the Postal Service has more facilities in more communities than does the Veterans' Administration.

More than one-quarter of a million people are employed by the Veterans' Administration and they provide services to more than 27 million Americans. Indeed, it is estimated that when you include various services to veterans, approximately 40 percent of the American people are affected in some way by the Veterans' Administration

President Carter, by Executive order, conferred Cabinet-level status on the Veterans' Administration. VA Administrator Cleland attended all cabinet-meetings during the Carter administration. This practice has not been followed during the Reagan administration.

As a number of witnesses will indicate today, the lack of Cabinet status for the Veterans' Administration often means that the agency's concerns and the agency's mission are not fully appreciated within the highest councils of our Government. This is quite unfortunate because as more and more Americans require veterans' services—most especially medical care—the VA must be able to press its case effectively and forcefully with the President. Anything less will lead to a dimunition of veterans' services and benefits.

Mr. Chairman, let me offer a personal reflection, if you will. From time to time I visit the major veterans facilities in our state—the major hospitals in Mountain Home and in Nashville, and the VA Spinal Cord Medical Center in Memphis. There, I see our veterans being provided with the extensive medical services that they require, often connected with service-related disabilities. These veterans are cared for in a compassionate and effective manner. That is as it should be.

But whether it be a store-front counselling center for the Vietnam veteran, rehabilitation services for the World War II veteran, or timely provision for education or home loan services—our veterans deserve the very best.

When they entered our armed services, they were prepared to sacrifice their very lives for their country if they had to. They were ready to bear all the burdens of battle in defense of our country. Much sacrifice was called for an much sacrifice was made.

This sacrifice, in no small measure, should help spur the Governmental Affairs Committee and the U.S. Senate to take prompt action on this measure. It is time that we confer Cabinet-level status on the Veterans' Administration and insure that the concerns of our Nation's veterans receive the very highest priority.

Senator **Sasser**. Mr. Turnage, it has been stated that the Veterans' Administration has come under the influence some would say even the domination of the Office of Management and Budget. For example, one group cites the case of the Vietnam Veterans Vet Centers being integrated into the regular veteran medical centers ahead of schedule earlier this year.

Now, this evidently occurred, despite the fact that these Vietnam Vet Centers were well received by the Vietnam vets and that the VA probably should have held off integration of these centers at least for a period of a year or two or three longer.

Now, I would like to hear from you, sir, in your own words just how pervasive OMB influence has been over the Veterans' Administration, and whether there have been instances where the Office of Management and Budget has overridden your suggestions about expansion or maintenance of essential veterans' programs.

Finally, if there have been such cases where you and your associates have been overridden by OMB, would this have been less likely to occur if the Veterans' Administration had been a Cabinet status organization, if you had Cabinet status, for example?

Mr. **Turnage**. Let me respond first, with your approval, to the issue concerning the vet centers. The OMB had nothing to do with that, Mr. Sasser. I made the decision. It made sense that the decision be made on the basis of the recommendations that we received from within our system in order that we be consistent with the law that currently prevails and still prevails about the relocation of those centers back into the medical centers of the country. There are some 188 of them, you know, and what we did, knowing that we had a timeframe within which that move had to occur, we decided to start with an incremental selection of some of them so that that move could be made and it would give us a better insight into some of the problems we would encounter at the time that ultimately we would have to move them all back into the centers.

So, we established criteria, we took the criteria and provided them to our oversight committees who reviewed and chopped on them and suggested that they thought we had a reasonable approach. We consulted some of the veteran service organizations with regard to that move, in addition. Then, having done that, we selected those based on the patient load that they handled, based on their locations and proximity to a medical center, based on the medical center having the capacity of being able to assimilate them, and all what I consider, you would agree, would be reasonable criteria for that kind of a move.

We made that determination that we would start with it. As a result of that, we heard considerable complaints, most of them political, about the implications of that, and they asked us then if we would hold our actions pending actions by this body, the Senate, as well as the House. We said we would do that, and we have done so. We are holding our actions pending any further determination statutorily of what we are to do.

Senator **Sasser**. So what you are telling this Committee, Mr. Turnage, is that the decision regarding the Vietnam Vet Centers was made internally by the Veterans' Administration and not as a result of influence or pressure to cut your budget coming from the Office of Management and Budget.

Mr. **Turnage**. It had nothing to do with it, sir.

The second aspect that you suggest, that relating to the times that the OMB has stifled initiatives—not your words, mine—or curtailed actions that we would have projected or cut back on programs that we would have advocated otherwise:

It seems to me that I am not here to defend the Office of Management and Budget, because I had problems with them when we were in the military, when we were with the Selective Service, and we still have differences of view with them now.

On the other hand, I must tell you that every time we have gone there with a well-documented objective on a program that had merit, these people have been responsive to us and been most supportive.

Now, if we were Cabinet level status, it still seems to me that someone within the context of the whole, establishing priorities or resources that are available within the overall context of the economic position we find ourselves in in this government, has to make the decisions and we are not going to get a blank check, and I would not contemplate it now nor then. But in my judgment, the Office of Management and Budget has not run the VA, I have, sir.

Senator **Sasser**. Let me ask you this, Mr. Turnage: When you meet with the Office of Management and Budget, do you meet with the Director, Mr. Miller, or do you meet with one of his assistants? How high up in the OMB hierarchy do you go in your discussions about the Veterans' Administration?

Mr. **Turnage**. If I have an issue of what I consider to be criticality, I go to Jim Miller; on a normal routine, my chief of staff or deputy go to Joe Wright, and routinely we have people from all of our departments and our staff agencies working routinely on a daily basis, not weekly or monthly, but daily basis, with OMB people with regard to their specific function.

Senator **Sasser**. All right. My time is up, Mr. Chairman. You turned on the right light there, so I had better cease and desist.

Chairman **Glenn**. If you have a couple of questions, go ahead.

Senator **Sasser**. No, that is all right.

Chairman **Glenn**. All right. Fine.

Thank you, Mr. Turnage. We appreciate, as I said earlier, a response to any additional questions that Committee members may have and they will be included in our record.

Mr. **Turnage**. Senator, thank you for the courtesy that you have displayed by inviting me.

Chairman **Glenn**. Thank you.

Our next panel will be two people, the Honorable Max Cleland, former Administrator of the Veterans' Administration, and presently the Secretary of State for Georgia, a person who has been before this Committee many times in the past. Out of his own experience with war and being a veteran, he comes to us by a wheelchair this morning and, fortunately, his combat-incurred difficulties did not include brain damage, as we have been privy to witness many, many times in the past here. We have sought his counsel, his advice, and he is a very valued friend and advisor to this Committee and we appreciate him being here.

We would also like the Honorable Harry Walters, former Administrator of the VA, to join us at the table. Mr. Walters?

Max, it is good to see you again. It is good to have you back in Washington again. I meant every word of that. We did seek your counsel and advice when you were here. It was very valued and we found you an excellent Administrator and we are glad to see you back again.

Mr. Walters, welcome. We have both former Administrators this morning. Max, we welcome your statement either in an abridged version or in its entirety.

TESTIMONY OF MAX CLELAND, SECRETARY OF STATE FOR GEORGIA, AND FORMER ADMINISTRATOR, VETERANS' ADMINISTRATION;[1] AND HARRY N. WALTERS, FORMER ADMINISTRATOR, VETERANS' ADMINISTRATION[2]

Mr. **Cleland**. Thank you very much, Mr. Chairman, and members of the Committee. I will just summarize a few points that I would like to make.

First of all, Mr. Chairman, it is good to be back in your presence. I can remember when we toured some VA hospitals in your home State, I remember that very fondly.

Chairman **Glenn**. Yes, indeed.

Mr. **Cleland**. Let me just see if I can make some sense out of some of the points that have been raised today and offer some kind of insight from the position of being a former Administrator of the Veterans' Administration.

First of all, the VA is not a new creation, it is not a new department. The legislation, as I understand it, would not add one new employee or one new section of the department. It is not a new department. It is some fifty-seven years old.

Second, it is not just a matter of printing up new stationery. I think the key question is that it provides a seat at the table where we make national policy, it provides that the Veterans' Administration head be a first team player in this making of national policy.

It is quite interesting that the broad scope and span of the Veterans' Administration involves it automatically, both in war and in peace, it has been involved in war and peace for a generation. It should be involved in those efforts from a front row position from now on.

As a result of a presidential review memorandum, I did have the opportunity to have a seat in Cabinet meetings. President Carter, by executive order, provided that opportunity to me to attend Cabinet meetings. It was my window to the world. It helped me tremendously to get a better feel for what the VA was all about in context with what was going on in government all around me. I found it a valuable tool to help me iron out policies and help communicate them, not only to the President but to his staff, to OMB and others.

I might say that after I became a member of the Cabinet for the purpose of attending Cabinet meetings, we met almost monthly with the President in the Cabinet Room. In addition to this, I provided an update to the President every two weeks by memo. We hashed out and hammered out policies dealing with aging veterans and Vietnam veterans, and, by the way, we were able to implement the creation of the Vet Center program as an independent entity in the VA.

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[1] See p. 191 for Mr. Cleland's prepared statement.

[2] See p. 201 for Mr. Walters' prepared statement.

I think this kind of role by the head of the Veterans' Administration is very much needed and the Cabinet meetings facilitated that process tremendously. To borrow a phrase from Chairman Brooks, it helped me, attending Cabinet meetings helped me keep my head in the game, as he mentioned this morning. I think it is time now to formalize this process and this role.

One caution: Please do not politicize the agency. I think it is quite adequate to have the top two people in the Veterans' Administration as presidential appointees. I see no reason to go deeper than that in the agency in terms of presidential appointments.

The continuity, as has been pointed out already, of the career service and the career service does provide tremendous continuity in the VA, with the change of Administrators, which occurs virtually with the change of Presidents, the continuity in our career service is very much important and they do a fine job.

Those are basically my thoughts, Mr. Chairman and members of the Committee, and I will be glad to respond to any questions that you might have.

Thank you.

Chairman GLENN. Thank you very much, Mr. Cleland.

Mr. Walters?

Mr. WALTERS. Thank you, Mr. Chairman. It is good to be with you here today. Not everybody wants to testify in front of Congress nowadays, but for my part I am happy to be here.

I am going to synopsize my written statement for you and try to touch on the high points, if I might.

Chairman GLENN. We appreciate that. Your entire statement will be included in the record.

Mr. WALTERS. First, I would like to testify that I am firmly in favor of the legislation. Second, I think a vote of thanks to Sonny Montgomery and Gerry Solomon of the House of Representatives, who have done a yeoman job in putting this forth and, of course, Senator Thurmond has been a real champion of this legislation as well, and there has been an awful lot of work done by Congressman Brooks and Frank Horton as well. All of them I think deserve a vote of congratulations from the veterans community.

I guess we can talk an awful lot about why the VA should be a Cabinet department, and I guess there are pros and cons. If, for no other reason, however, than just to say that for 80 million people who have access to some kind of benefits from the VA, and 80 million people being a large part of America, it seems to me the President would benefit from the counsel of someone who runs that agency at his Cabinet table.

I think that argument is one that would have helped me and I think it could have helped the President when I was the Administrator of the VA if I were at the Cabinet table.

It was commented on earlier about the statement that was made in my written statement with reference to issues where the VA was not represented at the table over the last two years, and I want to clarify for the Committee and for the record that I have no idea whether or not those issues were represented by the VA at other levels, but the table that I referred to was the Cabinet table.

The point I wanted to try to make in that statement was that the Administrator or the new Secretary being at the Cabinet table not only participates in those major issues in America, but also then he has the weight of the VA's programs clearly in view of the President in those discussions and, frankly, could end up being in a leadership role on the Cabinet level, rather than in a support role as an agency. That was the point I wanted to make by that statement.

The management organization, I firmly believe that the Chief Medical Director, the Chief Benefits Director, and the Department of Memorial Affairs Director are line officers in the management structure and should be under secretaries under this legislation.

The staff should be separated by calling them assistant secretaries and, not to demean them, but simply to emphasize the fact that they are staff and not a line position. How many appointees, presidential appointees should be appointed? I do not know if I have a good feel for whether it should be 8 or 12 or whatever the number should be, but, again, there are pros and cons on this issue. You just heard Mr. Cleland's thoughts on that.

My thought is that, on the pro side of that, is that the confirmation process, long-tested in our democracy, will simply give the Senate and the Congress a chance to look at the credentials of these political appointees before which time they are ultimately appointed to their job, and I think that process of scrutiny is important, I think it is important in that you get a chance to look at their credentials to do those jobs in the political process as well as in the operational process.

Beyond that, it has been my experience that organizations and wiring diagrams and charts are well overblown. It has always resolved around the people in terms of who is running the organization, who are in those blocks that we put in traditional charts, and with that in mind, Mr. Chairman, I have got to make the statement that the VA is probably an agency of government that I have the strongest respect for, having been there for three years. I have more than just a passing affection for it.

The VA is a very naked place to be, as Max and I know so well. You are simply in a fishbowl all of the time, with forces working on you. The one thing that we can bring to the assignment at all levels is leadership, and the word management I think gets overused in today's society, but I think leadership is the thing we need to think of.

I want to close, Mr. Chairman, by stating the mission of the Veterans' Administration that we put together when I was at the VA, and I still think this is an accurate statement: The mission of the Veterans' Administration is to serve America's veterans and their families with dignity and compassion, and to be their principal advocate in insuring that they receive the care, the support, and recognition earned in service to this Nation.

Mr. Chairman, that mission I think is still accurate. And the other thing we did was to create a slogan very much overused nowadays, and I was accused of being somewhat corny when we first put it together. This statement is true, this slogan will be true as long as there is a USA, and it says: America is number one, thanks to our veterans. I use it all the time, even in the private sector. It is a true statement and one which you can put on your bumper and you do not have to apologize for it.

Thank you, Mr. Chairman.

Chairman **GLENN**. If it is corny in some circles, it is not here, I will guarantee you that.

There is another aspect of this thing: We talk all the time here about whether the veterans are properly represented, and it is always done in the terms of what the veterans are trying to get from government. It would seem to me that perhaps maybe this gets a little more philosophical, but it seems to me that there is a role to be played here in advice to the President outside what people are trying to get, because the veterans are a major component in our society.

It would seem to me that when we have something like the discontent after Vietnam, it is farmers, and it is union members and it is Wall Street brokers, and it is the homeless out on the street, and it goes across' the whole board of things, and all of these are veterans and all of them have had their lives shaped in some respect by their military service, whether it was combat or otherwise, particularly those who had combat.

Now, Mr. Cleland, was your advice and counsel ever sought during some of the things of Vietnam veterans' major discontent, which has not gone away from us completely to this time now, but was your advice and counsel sought in the Cabinet meetings?

Mr. **CLELAND**. As a matter of fact, yes, Mr. Chairman, we helped put together, we the VA helped put together a presidential review memorandum on the subject of Vietnam veterans specifically, and the President approved all of our recommendations. As a matter of fact, one of those recommendations was to elevate the role of the Veterans' Administration at that time to participate in Cabinet meetings. That was just one of the many recommendations.

I would say that your point is well taken. I have often thought that the VA is in a reaction mode unfortunately too many times, and that maybe the Cabinet level status of the head of the Veterans' Administration can contribute to decisions that ultimately would involve the VA anyway in war and peace.

It has been mentioned that the broad scope of the Veterans' Administration activities dealing with the homeless, health care, insurance, not just dealing with disabled veterans. I have often thought that, quite frankly, if we had prepared a little better in regard to Vietnam, we would not have seen the VA in effect caught short years later budgetarily and policywise and have to play a quick catch-up game if maybe the head of the Veterans' Administration had been there saying, "Look, if you take this action, we are going to have some implications on down through the years and we had better think about that before the final decision is made."

So, I think your point is well taken. I think being at the table in terms of national policy would be of great service to those that the VA ultimately serves.

Chairman **GLENN**. Mr. Walters, do you have comment on that?

Mr. **Walters**. Well, Mr. Chairman, I had the pleasure of serving with David Stockman as Director of OMB. He enjoyed being the lightning rod which polarized almost every veterans issue and forced it on the President's desk, and so in that regard I had perhaps more access to the President than anyone wished I had.

But, as a Cabinet level officer, you have the White House staff much more respectful of who you are and what you do. It is just that simple. And we all know how the White House staff operates. I do not care what administration or what President we are talking about, the White House has their turf and the agencies and the Cabinet level people have their turf.

What we are suggesting is that the VA and the veterans and the Secretary of Veterans' Affairs will have more clout in the White House.

Chairman **Glenn**. Were there times when you felt during your tenure as Administrator, were there many times that you wanted to talk with the President and could not.

Mr. **Walters**. I think even as a Cabinet officer, that the inclination to want to talk with the President would come often. The wisdom is only talking to the President when you really need to talk to the President. Again, we had to be, I am sure Max had to be, very selective about those areas even as Administrator of Veterans' Affairs about those issues that you really wanted to talk to the President about and demand the time to see him.

Chairman **Glenn**. Max, you mentioned not wanting to politicize it. If you go to a department, is there not going to be a tendency to be more political with it, because one of the bills in fact has I think eleven under secretaries now, we do not know yet how many of those will be political appointments—there will be a total of 14 political appointments. Do you want to see that happen?

Mr. **Cleland**. No, sir, I do not want to see that happen. I do not want to see presidential appointments down that low in the organization.

Chairman **Glenn**. That is a typical departmental organization, though.

Mr. **Cleland**. But I do not think it needs to be in terms of the Veterans' Administration, because basically the VA operates off of entitlements that have already been predecided by law, by the Congress, and so what you are looking at is a career service that has experience with those entitlements nationally and can do a good job in effecting that service.

The VA is not your standard political agency, and it has been around for 57 years and it will be around probably for 57 years more, so the point is that——

Chairman **Glenn**. It enjoys pretty much an apolitical support right now——

Mr. **Cleland**. Very much so.

Chairman **Glenn** [continuing]. And nobody questions much there. It is not broken down Republican, Democrat or Independent, it gets support. Now, are you concerned that we put it over and we get all of these political appointments and then we are going to start whacking back and forth on whether it is Democrat or Republican, sort of knee-jerk reaction we have here in Washington? I am concerned about that.

Mr. **Cleland**. I think the political appointments of the Secretary and the Deputy Secretary in terms of presidential appointments, with confirmation by the Senate, I think that is completely adequate to take care of any political role that the VA might have.

Beyond that, it is an exercise in delivering service and benefits, and I do not think presidential appointments are needed at that level.

Chairman **Glenn**. Mr. Walters, my time is up, but do you have a response to that also?

Mr. **Walters**. I differ with Max on that issue. I think that the VA is being considered to play in the big leagues as a Cabinet level position, and they have to play in the big leagues, and assistant secretaries and under secretaries are standard in other agencies of government that are Cabinet level and the VA ought to play there as well.

I think the issue is also over-blown to an extent, that the political appointments that you are talking about of assistant secretaries are in fact political appointees now in many cases, except they do not go through the confirmation process.

So, what I suggest is that by doing the assistant secretaries in the confirmation process, we will have a greater opportunity, particularly the Congress will have a much greater opportunity to review the credentials of each one of those very important associate deputy managers, as they are now called, before which time they are appointed by either the White House or the Administrator or the Secretary, and so I think it is important that the confirmation process be upheld.

Chairman **Glenn**. Senator Sasser?

Senator **Sasser**. Thank you, Mr. Chairman.

I want to welcome my old friend, Max Cleland, back before the Government Affairs Committee today. It is good to see you again, Max. I also welcome you, Mr. Walters.

Mr. **Walters**. Thank you, Senator.

Senator **Sasser**. Max, when you were Administrator of the Veterans' Administration, President Carter issued an executive order which gave you Cabinet-level status, which you, I think, alluded to earlier. What was the background of President Carter's decision to elevate, by executive order, your position to Cabinet-level status?

Mr. **Cleland**. A Presidential review memorandum that ultimately made that as one of their recommendations. The subject matter of the Presidential review memorandum was the whole status of Vietnam veterans in this Nation.

By the late seventies, it was obvious that the Nation was not keeping apace with its obligations to Vietnam veterans and an entire generation of Vietnam veterans were coming along, and many felt left out in the cold, alienated from the VA and so forth and from their government.

It was this that gave rise to the Presidential review memorandum. The President accepted all of our recommendations and one of those recommendations was to elevate the head of the Veterans' Administration to the status of attending Cabinet meetings, and that was done.

Senator **Sasser**. Now, when you had the status of a Cabinet member and you were attending Cabinet meetings, you, of course, were there with the President and with the other members of the Cabinet. For the record today, could you cite any specific examples of situations in which attending these Cabinet meetings, or having access to the President there, you felt allowed you to make a more effective case for veterans' programs or allowed you to influence the administration, the President or the other members of the Cabinet with regard to the needs of veterans?

Mr. CLELAND. Yes, sir. As a matter of fact, I mentioned also that I communicated with the President twice monthly by means of memo, something called the VA Update. As a matter of fact, President Carter read these and referred to one of those at a Cabinet meeting, some of the things we were doing in the VA. I also had the opportunity not only during Cabinet meetings but afterward to visit with the President. It gave me access so that when I came to him in regard to the budget of the VA, a lot of these issues that we had been dealing with relatively over a period of time throughout the year, they were not completely new to the President, he was able to have some background on them, that in the brief time you have for budget hearings, he would not normally have had that time to familiarize himself with.

So, I found it very helpful and I think it is time now to formalize that process. I will say, and I jokingly said that I sat in the cheap seats around the wall, I did not sit at the table with the President. That is the problem with being just there for the purpose of attending the Cabinet meetings. One still has not exactly the full status of a Cabinet officer, and I think that is what these hearings today are all about, and I certainly urge that to the Committee for their consideration. That is what we need.

Senator SASSER. Well, Mr. Walters touched on a point that I think is very important. Being a member of the Cabinet gives you additional status and prestige with the White House staff, and I think Mr. Walters is quite right: White House staffs are a rather—at least they view themselves as being a rather esoteric group who, at least in their view, have enormous influence, and it is not always easy to get their attention.

I will ask you, Max, just the fact that you were in the Cabinet Room and they knew that you had access to the President, what did that do with regard to your clout in dealing with the White House staff, which I think is very important?

Mr. CLELAND. I was able to win most of my battles, my big battles with OMB. I think that was a key element. Second, everyone, whether in OMB or on the White House staff, knew that I did indeed have direct access to President Carter when I needed it, not only during Cabinet meetings and through memos, but other times as well.

The point is here that Cabinet level status goes ahead and solidifies that formally, so there is no doubt that you are in the big leagues and are a first team player.

Senator SASSER. I must say that I think that is one of the most important aspects of the whole business of Cabinet level status—the signal that it sends to the White House staff. It lets them know that you have access to the President, and if they do not respond, you might just tell the President that they are not responding, and you can make your case individually. I think that is very important.

One final question, Mr. Chairman. The Veterans' Administration is an agency that deals with an enormous range of human problems. We have great problems now with regard to homelessness in this country, and of course that affects veterans. We have a problem with the AIDS epidemic, and that affects veterans. Veterans represent a cross section, a fairly broad cross-section, of the people of this country, and it occurs to me that perhaps, as a former VA Administrator, either one of you might be able to provide the Committee with illustrations of problems that you have dealt with that had governmentwide applicability. For example, in the health care area, there are some programs where the VA dealt in health care matters, and if you had ready access to other heads of agencies, other Cabinets members, other secretaries of the departments, you might be able to have more cross-fertilization there with regard to ground perhaps that the VA had already covered that might be helpful in the field of health care to the Secretary of Health and Human Services, for example.

Mr. CLELAND. Senator, if I may, maybe I could just point out one during my tenure, and that is Mrs. Carter was quite interested in the question of mental health and she actually came and personally testified before the Congress several times on that question.

We got involved at the White House request in that and helped provide insight into our role, what we were doing, and that helped hammer out an administration policy on mental health.

I think your point is well taken. It is the coordination of governmental activities now that I think is one of the opportunities that putting the head of the VA at the secretarial level would facilitate.

Since this Committee focuses on questions of economy and efficiency, I think this is a real asset. It is not just a question of budget busting or will the VA get more or bigger, it is a question of facilitating what you are already doing with those others who might already be doing the same thing you are doing and duplicating what you are doing, and the President and the staff can look at that and help assign some roles and actually do a better job for the government and the people we serve.

So, I just see a lot of pluses in the legislation and I certainly support it.

Mr. WALTERS. Senator Sasser, I might answer the question that you asked previous to this and, with your permission, of course, answer your second one as well.

Senator SASSER. Sure.

Mr. WALTERS. One thing for sure is it is very important that a President of the United States have a firm view of what veterans are and what they are not, and I want to make it clear here to the Committee—and I have made it in my written testimony, but it is important enough to say it once again out loud:

Veterans are not on welfare. Veterans have earned these benefits in service to their country. Now, you can argue how much service is required to earn the benefits, but I might point out that many benefits that are available to the United States population have not in fact been earned in service. Veterans' benefits have been earned, and that is a very important distinction between welfare and VA benefits, and I for one feel very strongly about that. That issue has to be highlighted on a continuing basis as discussions at the Cabinet table revolve around normal welfare issues, because the VA is a separate kind of benefit, and elevating this to a Cabinet level will simply remind the President on a continuing basis that VA benefits are not welfare.

The second question you asked was about issues, the issue of aging which Senator Heinz is very involved in, I think. Three or four years ago, the VA published a report on aging, a very, very well thought out report. It started out to be a plan, and by the time we got done with it it was a report, because no one wanted to step up to plate and indicate that in fact we are getting older and we are living longer, and of course I resent the implication that we are not, because the alternative is rather bleak, Mr. Chairman.

So, the obvious solutions to the aging process are more available in the Veterans' Administration, where the rubber hits the road in our clinics, in our hospitals, in our benefits areas, because our average veteran now is well over age 60 and he is the aging of America. Two out of three Americans over the age of 65 by the year 2000, males, will be veterans. It is an important matter, and as far as I am concerned the VA ought to be in the lead in the aging process as an agency of government.

Senator **Sasser**. Gentlemen, thank you very much.

Chairman **Glenn**. Thank you. Let me ask if you both had the chance to look at the two pieces of legislation, which one you prefer or a combination of both, and do you pick and choose between them? What is your view of that, Max?

Mr. **Cleland**. I like the simple, straight-forward approach of the Thurmond bill. I think it is directly to the point, and that is what I would urge the Senate to focus its attention on.

Chairman **Glenn**. All right. Good.

Mr. **Walters**. I would agree, Mr. Chairman. The other thing I would hope, as elegant as this legislation is, is that it does not have a Christmas tree on it when it gets done.

Chairman **Glenn**. It may have if it gets out.

One other question: As I think you both heard me say before to some of the previous witnesses here, I do not think any system is going to work unless we have good people administering it, and any system will work if you have really good people. So it involves around people, and yet we have had four Administrators and five Medical Directors over the past ten years. Both of you have been involved in some of that process. What is the answer? Where do we go.

Mr. **Walters**. Well, I think we have had good people. I think——

Chairman **Glenn**. As I said before, I was not inferring or implying that we do not have good people over there, but how do you keep them? Because you cannot have leadership in the VA, whether it is a department or not, and have it turning over, have it churning all the time like every couple of years or so and have any continuity that is going to contribute at the White House to other matters or get for the veterans by being there sitting at the table when the pie gets cut.

Mr. **Walters**. Well, Mr. Chairman, I have two views on that. One view is that I think that a political appointee who overstays his welcome is not going to be very effective at any rate, so maybe the turnover is good in terms of getting the people in and out of assignments over a period of time. The pressure cooker is large, the veterans service organizations have a lot of pressure to bear, and rightly so, the Congress is not without pressure on the new Secretary of Veterans' Affairs, and the White House, as has been said, has influence itself.

So, these pressures I think dictate that perhaps a turnover every three to five years is very important. I think the key issue is that the replacements for those people have the scrutiny that is required to insure the quality of leadership and the quality of management is continuous.

Chairman GLENN. How do you feel, Max?

Mr. CLELAND. You hit upon a real point, Mr. Chairman, and that is turnover at the top. It is not only a problem with the VA, but it is a problem with other Federal agencies, and I am afraid the rate of turnover is increasing at the secretarial level—all the more reason why the basic services provided to veterans in this country should basically be managed by a very fine career service and that that career service not be politicized.

I will just say that in terms of turnover at the top—I tried my best in 1980 to reduce that turnover rate and was not successful and I turned over. [Laughter.]

Chairman GLENN. Thank you, gentlemen. We appreciate you answering any questions we might submit to you, and your statements will be included in their entirety, and other members may have additional questions to ask and they will be included in the record.

Thank you both for being here this morning.

Mr. WALTERS. Thank you, Mr. Chairman.

Mr. CLELAND. Thank you.

Chairman GLENN. Our next panel, who have been very patient with us, are representatives of the veterans organizations, and I might say, as I read these names and the order in which we will ask them to testify, these were drawn strictly by lot, we did not try to show favoritism to any one group over another.

First is Mr. Paul S. Egan, who is Legislative Director of the Vietnam Veterans of America; number two is Mr. James Magill, National Legislative Director of the VFW, the Veterans of Foreign Wars; number three, Mr. E. Phillip Riggin, Director, National Legislative Commission, American Legion; Mr. John F. Heilman, National Legislative Director, Disabled American Veterans, DAV; Mr. R. Jack Powell, Executive Director, Paralyzed Veterans of America; and Mr. Morgan S. Ruph, National Executive Director of the AMVETS.

Gentlemen, we just selected those at random, so we did not show favoritism to one organization over another, and we would welcome your testimony. If you want to give a summarized version, that would be welcome, since the hour is late; if you wish to give the full statement, that will be your choice. In either event, the entire statement will be included in the record.

Mr. Egan, would you lead off. Mr. Egan is Legislative Director of the Vietnam Veterans of America.

TESTIMONY OF PAUL S. EGAN, LEGISLATIVE DIRECTOR, VIETNAM VETERANS OF AMERICA;[1] JAMES MAGILL, NATIONAL LEGISLATIVE DIRECTOR, WASHINGTON OFFICE, VETERANS OF FOREIGN WARS;[2] E. PHILLIP RIGGIN, DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, AMERICAN LEGION;[3] JOHN F. HEILMAN, NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS;[4] R. JACK POWELL, EXECUTIVE DIRECTOR, PARALYZED VETERANS OF AMERICA;[5] AND MORGAN S. RUPH, NATIONAL EXECUTIVE DIRECTOR, AMVETS[6]

Mr. EGAN. Thank you, Mr. Chairman.

As you can see from our statement, we have been rather critical of the Veterans' Administration, and we believe that the criticism is deserved. Growing from that criticism comes what we think constitutes the principal reason exists for elevating the agency to Cabinet level status. Our support for that elevation is predicated on the basic principle that increased stature will add accountability, where there is relatively little at the present time.

We think the confirmation process of Presidential appointees will assist in culling those appointees who are unqualified from those who are not, and those who slip through in any event we believe will be visible enough to force accountability by both the Congress and the media. Certainly, increased media attention is important.

It seems to us that an agency with so many responsibilities for so many programs that affect so many millions of individuals ought to be reported upon more heavily, and we think that increased stature will bring increased media attention.

It would appear to us that the VA really does exist in an accountability vacuum. In spite of what some witnesses have said this morning, the VA is substantially dominated by the Office of Management and Budget. Even if the Administrator, as he stated this morning, did decide that the Vet Center Program ought to be integrated into VA Medical Centers, we know that ever since 1981, beginning with David Stockman, OMB has targeted that program for dissolution.

Other examples of OMB interference would be the 30 percent loss of personnel in the Department of Veterans' Benefits since 1979 and reductions in health care personnel. In spite of specific instructions by appropriations committees, to the contrary.

A couple of years ago, there was an effort by the OMB to reduce the overall numbers of middle-range employees in the GS-11 to 15 range. More generally OMB has sought contracting out through its circular, A-76. One particularly egregious example of that involved a relatively small program in the VA, is the VA canteen food service, in which the effort to privatize various portions of the VA was forced on the agency even though the program is completely independent and completely self sufficient.

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[1] See p. 210 for Mr. Eagan's prepared statement.

[2] See p. 222 for a statement of Cooper T. Holt, Executive Director, submitted by Mr. Magill.

[3] See p. 225 for Mr. Riggin's prepared statement.

[4] See p. 231 for Mr. Heilman's prepared statement.

[5] See p. 237 for Mr. Powell's prepared statement.

[6] See p. 247 for Mr. Ruph's prepared statement.

In our judgment, the VA has been free to abuse veterans' programs and the benefits adjudication processes because of wide-ranging, unchecked discretionary authority. We know that the VA has resisted congressional intent in some instances. Examples of failure to compensate radiation and Agent Orange victims are two examples. Resistance to compensate individuals with post-traumatic stress disorder is another example.

The VA has even disregarded legal processes, and an example of that came last spring when the VA was fined $115,000 by a Federal judge for destroying documents critical to a discovery process in a case brought by the National Association of Radiation Survivors.

Both the VA regional offices and the Board of Veterans Appeals which are responsible for adjudicating claims, operate on the basis of a production system where in the Board of Veterans Appeals, the Supreme Court of the adjudication process, quotas exist and year-end bonuses are provided for people who meet those quotas. Also, identical claims are decided differently by different sections of the board, and there has been a static allowance rate for the last several years.

What happens with production quotas is that the least experienced wind up getting the most difficult cases. And I might add, Mr. Chairman, that all of this with regard to the BVA was acknowledged by the Chairman of the BVA at a hearing on October 6.

We believe, in summary, that accountability is the key in all of this, and elevation of the agency to Cabinet level is one way of assuring that.

Thank you.

Chairman GLENN. Thank you, Mr. Egan.

Mr. Magill?

Mr. Magill, representing the VFW.

Mr. MAGILL. Thank you, Mr. Chairman. At the outset, I would like to commend you for holding this hearing, which demonstrates your concern for our Nation's veterans.

Today, with the House of Representatives overwhelmingly passing H.R. 3471, and by the fact of your holding this hearing, we are closer than ever before in achieving Cabinet level for the Veterans' Administration.

There are many compelling reasons for making the VA an executive department, and we have all heard them at this hearing, so I will not go into all of those.

One point I would like to make is the importance of the Veterans' Administration that was reaffirmed on November 21, 1983, with the passage of Public Law 98-160, the Veterans Health Care Amendments. That law did contain a sense of the Congress that the VA should be made a Cabinet level department.

I would also point out that we do not pretend to be experts in government reorganization. However, we do have expertise in the mandates of the Veterans' Administration. We are here today to pledge our strong support in realizing the VA's smooth transition from an independent agency to a Federal department. We trust the President would continue to call upon us to make recommendations as to the Presidential appointments which would be required under legislation providing for the upgrading of the VA to Cabinet level.

As in the past, our main concern will continue to be that the most qualified individuals will be nominated and placed in positions to serve our Nation's veterans. Again, the VFW would like to thank you for holding this hearing and we would encourage this distinguished Committee to report to the full Senate in a timely fashion a bill that would elevate the VA to Federal department status.

That will conclude my statement.

Chairman GLENN. Thank you very much.

Mr. Riggin, representing the American Legion.

Mr. RIGGIN. Thank you, Mr. Chairman.

The American Legion also, along with other participants in this hearing, is particularly pleased for the opportunity to present its views on the subject of designating the Veterans' Administration as an executive department of the Federal Government.

We have been strongly in favor of establishing the VA as an executive department for many years and have so stated that position on a number of occasions before Congress and with the President of the United States.

Elevating the VA Administrator to a position where that officer will have direct access to the President and will be able to participate in the high councils of government is of great consequence to veterans. When matters affecting the allocation of Federal resources are being discussed by top level Presidential advisors, veterans want to be heard and they want to know that they are being heard.

There are those who argue that maintaining a collection of benefits and services specifically for veterans is unnecessary. Some who voice this opinion have publicly opposed in recent weeks the creation of a Department of Veterans' Affairs. However, we feel that these statements by these opponents of the concept overlook a very obvious fact, and that fact is compensating veterans is undeniably a Federal obligation, one that simply recognizes previous service to the Nation, rather than to any State or locality.

Other Federal departments, as former Administrator Walters alluded to a few minutes ago, have been created to manage programs and policies which are determined to be of national significance. Several of those departments have been created and expanded over the past fifty years, a period during which Americans have increasingly relied upon the Federal Government to protect their rights, to provide direct services, or to focus State and local activities in matters such as job training, housing and health care.

Benefits and services provided by these departments, and augmented by other departments and agencies, are primarily offered to those people who demonstrate physical, emotional, or economic need. Certainly, veterans who suffer similar disadvantages as a direct or indirect result of their military service deserve no less.

Other opponents of the idea of creating a Department of Veterans' Affairs have argued that it contributes to Federal growth. We are absolutely convinced, Mr. Chairman, that no proponent of the new department, either in Congress, the administration, or the veterans community, is contemplating any expansion of the Federal

Government. Delivery of veterans' services, which already involves more than 240,000 Federal employees, will not require an infusion of new resources simply because a Department of Veterans' Affairs is created.

Mr. Chairman, we realize that your Committee's responsibility in this matter is essentially two-fold. After determining that a Department of Veterans' Affairs is warranted, this panel, your panel must determine the appropriate organizational structure for such a department. Your goal, like ours, will be to create a department which efficiently and compassionately meets the needs of the veterans community. To assist you in that effort, you have several pending bills before this Committee, to include S. 533 and H.R. 3471. The House measure, of course, has undergone committee scrutiny in that other Chamber and its approval by the full Chamber was overwhelming.

You are aware that a wealth of experience in the delivery of veterans' benefits and services is available from veterans organizations and both Veterans' Affairs Committees in Congress, and we expect that you will be consulting these sources of information as your Committee goes about its business of evaluating the pending bills during the process of determining the appropriate organizational structure for the new Department of Veterans' Affairs.

While commending your Committee again for the decision to consider this proposal in such a timely manner, we wish to gratefully acknowledge the fact that several members of this Committee have also officially endorsed this legislation to elevate the Veterans' Administration to department status.

Mr. Chairman, that concludes our statement. I would be happy to answer any questions that you may have at a later point.

Thank you.

Chairman GLENN. Thank you very much, Mr. Riggin.

Mr. Heilman, representing the Disabled American Veterans, the DAV.

Mr. HEILMAN. Thank you, Mr. Chairman. I will summarize my statement this morning.

I do want to express, on behalf of the DAV, our appreciation to you and to Senator Roth, of course, for the expeditious manner in which you have scheduled these proceedings. We all deeply appreciate that and for the record, of course, we are extremely appreciative of the leading advocates in the House, Representative Brooks and Chairman Montgomery and Mr. Solomon, and on this side, of course, Senator Thurmond and Chairman Cranston and Senator Murkowski who have taken a lead on this issue.

I will not go over plowed ground, Mr. Chairman, concerning the various reasons why the VA is deserving of executive department level status. It has been very apparent here this morning why that is true by the previous witnesses in terms of the scope of operations of the agency's responsibilities, the number of its beneficiaries, and, of course, the impact that its programs have on the many facets of our Nation's fabric and society, most importantly the economic impact.

Also, Mr. Walters I think very eloquently expressed in terms of the sacrifices in service that have been performed by the Nation's veterans, the necessity to elevate this agency which handles their needs to this highest level in our government.

You have spent some time, Mr. Chairman, this morning, and the other members of the Committee, discussing the "how to" of this goal. We do have two bills, the House-passed bill and Senator Thurmond's bill.

I do want to say first off that, of course, Senator Thurmond's bill, S. 533, was introduced early this session, as was its counterpart over in the House, H.R. 1707. That was the bill that Chairman Montgomery and Mr. Solomon originally introduced, and indeed identical bills have been introduced in prior Congresses in the past number of years in this regard.

I believe that in terms of S. 533 and H.R. 1707, of course, as has been noted, in essence they would wave a wand over the current agency and say "you are an executive department," and do not go beyond that too much. There is a reason for that and that, we believe, is that these measures serve as the initial vehicles over the years to attempt to get the attention of members of Congress and the appropriate committees of Congress regarding this goal and they have served this purpose very well.

Of course, Mr. Brooks' committee has taken a look at the issue and as a result we see H.R. 3471, which goes into much greater detail than does S. 533. We in the DAV are not locked into the exact statutory language that is contained in either of the bills. Of course, as I said, H.R. 3471 goes into it in much more detail.

I will say that we do not see anything wrong with conferring an assistant secretary status or requiring Presidential appointment and Senate confirmation of the two top positions, once you get beyond the present Administrator and Deputy Administrator, and that is the Chief Medical Director and the Chief Benefits Director. We are talking about two very, very important programs, the nuts and bolts of the agency, really, and what they deliver to veterans are $15 billion in entitlements, $10 billion in health care services, and I do not necessarily think, nor does our organization, that elevation of the heads of these two departments would be a bad thing, nor do I think that—and you are right to be concerned—it would politicize these positions.

But I do not necessarily believe that having the nominees for these jobs go before the Senate Veterans' Affairs Committee and be given that type of scrutiny would be a bad thing for these two positions.

I believe one of the witnesses previously stated that there are politics that do come into play in terms of central office positions that are appointed from time to time or come open from time to time, and where do you want your politicizing to take place, over in the confirmation hearing in the full view of the Senate, or over in the 10th floor of VACO, where there is perhaps not so much daylight?

So, you have a right to be concerned, Mr. Chairman, but at this point the DAV is not concerned that this could be accomplished and not be to the detriment of the agency.

However, I do know that your Committee, as you have indicated, will have future hearings and you are certainly going to leave your imprint on this legislation, and I am confident that you and the

House Committee, once you have finalized your version over here, can sit down and produce a measure that will give us what we all want in terms of this important goal.

Thank you.

Chairman GLENN. Thank you, Mr. Heilman.

You mentioned the specific pieces of legislation, and when we finish getting everyone's testimony here, I want to ask each one of you which one you prefer and why on that, so you might be preparing your thoughts on that, if you have a preference, because they are quite different bills. That is one reason we decided we could not just have a perfunctory hearing, we really have to go into this in some depth, and so I would appreciate your counsel and advice if you work in this area all the time, and we will save that until after we get done.

Mr. Powell, who represents the Paralyzed Veterans of America. Mr. Powell, welcome.

Mr. POWELL. Thank you, Mr. Chairman. I also will paraphrase our written statement.

Chairman GLENN. Thank you.

Mr. POWELL. It will come as no surprise for me to say that PVA in fact supports Cabinet status for the Veterans' Administration. What may come as a surprise is why we do. Simply put, the reason we support it is because PVA believes the domestic issues confronting our country are so intricately interwoven with veterans and the programs and capabilities of the Veterans' Administration, that not bringing them to the table of policy and domestic policy debate makes a coherent resolution to these issues doubtful. It is just plain good management sense, and if we had a management consultant come in and look at government like a corporation, there is no doubt in my mind that no management consultant in this country would say that you should not have at the table that decides the corporate policy and implementation, a person who heads an agency that is as large as five other Cabinet agencies combined, the third largest functionary of government, as a matter of fact, in terms of employees or in terms of dollars.

Mr. Chairman, you said something earlier on in the hearings about some kind of the impression that veterans are always after more and more and more. Mr. Walters said something when he testified about the VA being able to take leadership. And I know what you mean and I do not want the record to think that what you were saying that we are after——

Chairman GLENN. I was quoting this from some other source.

Mr. POWELL. I appreciate that. I appreciate that you do, Senator, because I think a lot of those articles stem from absolute ignorance. I do not mean the ignorance of people who are mal-intended or that type of thing, but I think that in the media, in government generally, even among the staff and some Members of the Congress today, there is not a clear understanding and perception of what the Veterans' Administration is and what it does and how huge a role it plays in so many aspects of so many people in our society.

I am not going to go through the long litany that you have heard before many, many times on every place that it is at, but there is nothing, whether it is education, whether it is housing, whether it is training, whether it is employment, whether it is medical care, whether it is aging, that does not involve the Veterans' Administration. And often times the Veterans' Administration is the single largest player in this country in that role.

I am amazed, for instance, when we consider what can come out of Cabinet level status. For instance there has been tremendous debate on catastrophic health care in this country. There has been legislation considered in Congress. There was the Bowen Commission appointed, and yet the single agency which is by definition a catastrophic health care provider, the Veterans' Administration did not even have one appointee to the Bowen Commission.

I tend to think that that would not have been the case had there been the Department of Veterans' Affairs. When we are looking at a system that cares for 17 million outpatients and 1.7 million inpatients every year, when we are looking at a population that is two out of every three males over the age of 65 in just a few years down the road, how can we possibly talk on one side social security and what is going to be done for social security and for Medicaid and for Medicare and catastrophic health, and leave away from that debate the person over here who runs the largest health care system in the western world? I do not understand how we can do that or how we can hope to come to coherent answers.

I would also like to point out that I think that the rest of our society might benefit from the leadership the Veterans' Administration could bring to the Cabinet. I would like to point out that most of these people sitting here work for organizations who, as early as 1983, went on record testifying that veterans would forego a cost of living increase in order to reconcile the budget problems as long as everybody else was treated the same way.

I do not know of any other constituency that has been that forthcoming to the Congress in attempting to deal with the deficits that we all know we have got to deal with. Veterans organizations sitting here, almost without exception, worked to support a means test for veterans' health care, to insure that veterans' health care, after the service-connected disabilities, went to those Americans who truly needed it and had earned it by their service to their country. That is leadership, Mr. Chairman, and that is something that I think, at least looking around, that the Cabinet might be able to benefit from.

We hear opposition, and I see some opposition in various newspapers, about what would happen if the VA became a Cabinet level agency. Like I said, I think most of it is based on just simple ignorance, and some of it is based on some other funny things.

It is interesting to me, for instance, that The Washington Post has written a number of articles on how terrible the idea of Cabinet status for the VA is, also not too long ago the Post was doing terrible articles on how the Veterans' Administration, in its adjudication of veterans benefits, was not meeting the needs of the veterans. Well, would not something that opened up that process, such as confirmation of the Chief Benefits Director, to give Congress the opportunity to assure themselves that that person is dedicated to carrying out the laws that the Congress has established, open up sunlight in the adjudication process, and if that is in fact what the Post is after, should not the Post be supportive, rather than opposing Cabinet status?

We talk about what level we should go to for confirmation. A good friend of ours happens to be the Surgeon General of the United States, Everett Koop. We were involved at that time with his confirmation process and testified on his behalf, even though there was a lot of concern and opposition. He has gone on to take a tremendous leadership role in a major issue plaguing this country today, and that is AIDS. And I note that with $100 million involved in AIDS and another bill talking about $1 billion in AIDS, the Veterans' Administration, which has the second largest medical research program in the United States, is not a key player in that debate.

The Veterans' Administration, which is the largest Federal provider of health care to AIDS recipients is not in that debate at the Cabinet level or at the domestic policy level. Those things I think could be corrected. We certainly endorse the idea that if there is a Surgeon General of the United States who is a Presidential appointee, who directs a few thousand health care people and virtually no hospitals, no outpatient clinics, that it would seem to make sense that the Chief Medical Director of the VA, who runs 172 hospitals and 216 outpatient clinics and a number of nursing homes, would have Presidential appointment. The Chief Medical Director also trains half of the health care manpower trained in this country each year.

I am going to stop there. I could go on forever, as you probably understand, sir. We feel deeply about it and we would like to work with you. We thank you for scheduling these hearings as promptly as you have done and we hope that we can see a bill passed and sent up to the White House while this President, who has said he endorses the legislation, is still around to sign it.

Thank you, sir.

Chairman GLENN. Thank you.

Let me just comment on your very last comment about the expeditious hearings. We were under criticism from some groups for not already holding hearings on this sometime ago. I want to point out that we only got this from the House about three weeks ago, so I think we have moved rather rapidly on this. We had the Thurmond bill before us, but we knew the working was going on in the House and there was no point in starting on one, having to come back and revisit it later. We are not trying to generate hearings around here. We have enough hearings as it is.

So, once we got it, we got to work on it. We knew that with the press of business here, we are not going to get it through this year before the end of the session. We have the continuing resolution, the reconciliation bill before us, we knew that was going to get priority, plus we felt that we owe the veterans and the people of this country the obligation to really look at this and see what the organization is going to be, are we going to have more political appointments, are we going to have less, what the cost is going to be, we have to outline that, and so a lot of things that we have outlined and that you and the other witnesses have pointed out this morning, we really have to look at.

If we are to establish a department, it is going to be there a long time and it had better do the job and I do not want to see it louse up what has been a veterans program ongoing, with good bipartisan support for many years. So, we were under some criticism from some quarters for not holding hearings earlier in the year, before we even knew what the House bill was going to be. I just thought that was a little irresponsible.

I just wanted to point that out again. I mentioned it very briefly at the beginning of the hearing. You mentioned the expeditious nature. We have been under some criticism from some groups for not moving more rapidly than we did, but I think we have done it in a responsible way.

Mr. POWELL. We do, too, Mr. Chairman, and we want to thank you. You know, you are right, the Veterans' Administration is not going to go away. The first piece of veterans legislation was passed 350 years ago at the Plymouth Colony in these United States. There is going to be a VA, whether or not there is a Department of Veterans' Affairs, and we thank you for your efforts.

Chairman GLENN. Thank you very much.

Mr. Ruph, who is with the AMVETS. Mr. Ruph?

Mr. RUPH. Thank you, Mr. Chairman. I will summarize our statement as well.

AMVETS is pleased to present our views on the necessity and the appropriateness of elevating the Veterans' Administration to a Cabinet level department of the Federal Government and the current action now being taken in the House and the Senate with regards to this is enthusiastically supported by our organization, and this support was once again demonstrated by our membership at our recent national convention where, by unanimous vote, the leadership of AMVETS was mandated to seek and support legislation that would achieve this goal.

We are in agreement with much of the structure and the language that is spelled out in H.R. 3471, but we realize that there may need to be an expansion on the language as it pertains to the requirements and the qualifications of two of the most important individuals in the system, that being the Chief Medical Director and the Chief Benefits Director.

We think that when these two individuals are considered for appointment as under secretaries, that they should have a proven track record in their respective fields, and that when at all possible they should both be veterans of the Armed Forces of the United States.

We feel that having more public scrutiny of the various heads of departments within the Veterans' Administration will in fact provide a greater basis for accountability as the individuals perform their expected functions within the VA system. We believe very sincerely that the elevation of the VA to a department will better serve our Nation's veterans, their families and their survivors, as well as improve the over all operation of the agency.

We too thank you for holding these hearings in an expeditious manner.

Chairman GLENN. Thank you very much, Mr. Ruph, and I appreciate all of your patience, the patience of all of you this morning in staying with us here. It has been a long hearing this morning. I do have a couple of questions, though.

Which bill do you prefer and why, if you have it? Mr. Egan?

Mr. **Egan**. Thank you, Mr. Chairman. First of all, a couple of comments. Currently, when national health policies are made, the VA is ignored; when national housing policies are made, the VA home loan program is ignored; when national employment programs are made, veterans programs in both the VA and the Department of Labor are usually ignored.

For that reason, I think it is safe to say that in many instances, many parts of these various programs really are inferior to some of the similar programs operated by different agencies for other categories of individuals. With that in mind, I think it is very important that we be very careful not to allow this agency, as a Cabinet level agency, to be a second class Cabinet level agency.

I am inclined to concur with Mr. Walters' comments about playing with the big leagues. We, in our statement, have expressed concern about how deeply into the agency you want any administration's political tentacles to reach, and that is an important concern, but by the same token, I do not think we will have accomplished much if the Secretary of Veterans' Affairs winds up in the "cheap seats" when the Cabinet meets. For that reason we would support, at this point, given a choice between the two, the House passed bill.

Chairman **Glenn**. The House passed bill. OK. I guess I should have put one more option in there also. The House passed bill, the Thurmond bill over here, or do you think we ought to write one of our own in the Committee here, combining what we would see as the best elements of both?

Mr. **Egan**. I think there are some improvements that could be made. We have referenced a couple of those in our testimony.

Chairman **Glenn**. I hate to throw that last one in there, because that puts us in a whole new hot seat for a period of time here, but we can do that certainly, and I want to see that this is done right when we do it.

Mr. Riggin, what is your choice?

Mr. **Riggin**. Mr. Chairman, we thought that this Committee would in fact do that, that it would take some variation of H.R. 3471 and the pending Senate bill, recognizing that the Senate bill was designed to draw attention to the issue, and I do not think Senator Thurmond has any pride of authorship to the extent that he would not accept some variation of that legislation. I do not presume to talk for the Senator, but we know how the Senator acts on other issues.

We think that probably an amalgamation of the two, and I would like to take this opportunity very quickly to simply join with the comments of the Disabled American Veterans that we would not have any major difficulty with the Chief Benefits Director and the Chief Medical Director being subject to confirmation, simply because we feel that that process would add some daylight, whatever you want to call it, to the entire idea.

We also would like to emphasize the fact that, regardless of what the selection process is, this group of veterans organizations, in combination with the Veterans' Affairs Committees in both the House and the Senate will make absolutely sure, we will certainly attempt to make absolutely sure that all of those appointees or selectees are doing their jobs in our participation in the oversight role of both Veterans' Affairs Committees. It is a role that they currently maintain very actively and we do not think that will stop.

Chairman GLENN. Thank you, Mr. Riggin.

Mr. Powell, which bill?

Mr. POWELL. The two that I know and can read or the one that I have to read your mind for, Mr. Chairman?

Chairman GLENN. Or none of the above.

Mr. POWELL. Mr. Chairman, we can live with H.R. 3471. That would not rule out something that this Committee might write, because we do not know what it might write. There are no hard and fast guarantees. In my prepared oral statement for today I said there is no absolute right way or wrong way, we do not think, because in fact we are dealing with people.

We think what is important, however, is opening up the process down to some of these levels. I am not going to give a whole speech, but just an example, if I could, Mr. Chairman. The Veterans' Administration is recognized by one heck of a lot of folks to be way behind the power curve on automation, on computerization of its activities, which could probably result in saving a lot of money.

It is interesting to note that that process has always been hit by a political appointee who has never been subject to confirmation, and that person has changed over and over again. Construction has been another issue. There has not been a person in charge of construction, a political appointee who has had any construction credentials in the last several years.

I think the confirmation process would help that. We would like to see the CMD, the CMA, the CBD as under secretaries, and those associate deputy administrators, as they are presently called, as not higher than the assistant secretary level.

Chairman GLENN. I should add to my previous statement also by saying that, as far as a separate bill is concerned, I told the staff to look into this, and I do not want anybody to misinterpret this and go out saying we are writing a new bill yet, because that gets into an awful lot of work on a limited number of staff people, and I do not want to write one just for the pride of authorship here. I do not want to do that.

But if after we look at the results of the hearings we feel that we have a better combination of things, I do not want to eliminate that as a possibility. I just throw that out as a warning right now, and it is not as a warning as much as it is a request that if we do decide to get into that, we look forward to your counsel and advice on this and look forward to working with you, and we hope you would be responsive if the staff and these and other people who will be involved with it would get in touch with you, because we may decide we want to do something in between that we can write and do a better job and make sure the department is going to be a department that is better set up to do what has to be done.

Mr. POWELL. Mr. Chairman, could I make one point I missed? You have mentioned several times the turnover.

Chairman GLENN. Yes, that concerns me. I do not want to overblow that, but that concerns me almost more than what organization we set up. Nothing is going to work unless we have good people in there on a reasonably continual basis to do the thing and carry out the programs, and you can put wiring diagrams together all day, I can get management studies from now until breakfast and I can put them up here and I can combine them and I can say we have got the perfect organization, but unless you put good people in the boxes it is not going to mean much.

Mr. POWELL. I think you will perhaps agree with me on two things, Mr. Chairman. One is that whoever is going to head the company has a right to select his or her management team, and that in fact has been going on even though we theoretically had these four-year contracts for CBDs and Chief Medical Directors.

In fact, what has happened—and you can look pretty clearly that that is exactly what has happened. On the other side of the coin, we believe—we have no absolute proof for it, except from looking at a few other agencies—that perhaps if we are talking about Mr. Secretary, the kind of scrutiny that would go for a Mr. Secretary would elevate——

Chairman GLENN. Or Mrs., careful now.

Mr. POWELL. Or Mrs., just gender neutral, a Secretary, which could get you in trouble, too, I guess. But if we had a secretary as opposed to an independent agency head, we believe that that may elevate the process in any new administration to select somebody to sit at that 19th chair at the Cabinet table. Secretaries seem to last a little longer in a number of agencies than do independent agency heads, and correspondingly the people right below them, their management team.

Chairman GLENN. Mr. Heilman, the House bill, the Senate bill, a combination of both, or other?

Mr. HEILMAN. Yes, sir. In terms of the two pending bills, the House or the Senate bill, we definitely have to lean very heavily towards the House passed bill, and again that is not necessarily being detrimental to S. 533 and Senator Thurmond.

I have indicated that at this point we see nothing wrong with the CMD and the Chief Benefits Director being nominated and confirmed by the Senate. We definitely anticipate that you, Mr. Chairman, and other members of the Committee and your staff are going to leave your imprint on the bill that hopefully may come out of your Committee.

We are not locked in to eight assistant secretaries, as has been said this morning. Maybe there should be no more than eight or whatever, you know, whatever number you come up with. I do not think that it is likely that every major function that is listed in the House bill needs an assistant secretary appointed by the President and confirmed by the Senate.

I do think the two top slots, as I have indicated, there is nothing wrong with that. Perhaps the GC also. Just for your information, if you are not already aware, you and your staff, you may be, the current Chairman of the Board of Veterans' Appeals is a very important job in the VA, is a Presidential appointment but not subject to confirmation by the Senate, and I believe it is a lifetime appointment. Perhaps you might want to look at that a little bit and say maybe we should have Senate confirmation for that position also.

Again, Mr. Chairman, that is the way we feel at the present time.

Chairman GLENN. Mr. Magill, which one.

Mr. **Magill**. What we have heard is that the original House bill is almost like S. 533, but it is our understanding that it just cannot be that smooth, you have got to have a bill that spells out detail. That is why they had to come up with the Brooks bill, therefore we would support that.

Again, I have to say the same thing that we have heard before, that we think it should be changed a little and we would hope that you would agree with us. The two slots that you have heard about, the Chief of the Department of Veterans Benefits and the CMD, command too much, are too powerful, too strong, they serve too many people to be in a slot less than the eight that were mentioned, so we believe that they should be elevated up in authority.

Of course, we heard at one point that there are no politics or the VA is not political. It was brought up also, I think you will agree, too, that we would rather see the politics brought out in the open, instead of in a back room somewhere, because there are politics there.

Chairman **Glenn**. Mr. Ruph, which one?

Mr. **Ruph**. Mr. Chairman, we would lean more favorably to H.R. 3471. We are not really locked in, though, on any number of presidential appointments in terms of assistant secretaries, under secretaries. We do feel, as I indicated previously, that the Chief Benefits Director and the Chief Medical Director, as supported by our sister organizations, should be by presidential appointment and subject to confirmation.

We feel also that this Committee will have some significant input into how this legislation is finally drafted that would create a Department of Veterans' Affairs.

Chairman **Glenn**. I am concerned about the politicization, as we have said several times this morning here, and that is one thing that bothers me a little bit about this great number of appointments.

As was pointed out earlier by whoever it was, maybe this is an advantage and that we bring people up for confirmation rather than having the decision made over on the 10th floor or wherever over there some place, and so maybe that is a different factor, and I do not disagree with that one.

Then, as I also mentioned a couple of times earlier, some of the people that follow social security on a very close basis, they do not necessarily want a department because they feel they have bipartisan support across the board now, why louse it up or take a chance of it. I guess that argument could be made here, too. I am not making it, but it is one that does concern me if we change this from an administration to a Cabinet level post. It concerns me how we do this and that we set it up right.

In other words, you gentlemen have been very successful here in Washington by and large with all of your combined activities in making the case for veterans, and I do not know that that would be made any more forcefully or effectively with the department than it would an administration necessarily. It is a status symbol, there is no doubt about that, and that counts some around town here, of course, and on the Hill here also, but these are things we have to look at very closely.

Let me ask one additional question here. I think Mr. Powell brought up means testing and that sort of red flagged one for me. We are in big budget concerns here now. Do all of you—I would start across the board again, going in the other direction—and ask do you all favor means testing for benefits that veterans get now that were not service-connected necessarily, those ones that are supposedly on a space available basis? Sometimes it works out that way and sometimes it does not. What is your view on means testing, because in times of budget crunch that obviously comes up—and it has been mentioned in meetings around here before and it sort of red flagged it when you mentioned it a while ago, what is your view on means, Mr. Ruph?

Mr. RUPH. I believe, sir, that we have all, as Mr. Powell indicated previously, supported the concept of means testing.

Chairman GLENN. Of non-service-connected disability?

Mr. RUPH. Yes, sir.

Chairman GLENN. I see. Mr. Magill?

Mr. MAGILL. Yes, sir, at the time the means test came up we gave it our support. The Veterans of Foreign Wars, of course, recognizes that we have an obligation, too, as long as the veterans of wartime are served, and again here, with the deficit, we are prepared for a fair share of the load.

Chairman GLENN. Mr. Heilman?

Mr. HEILMAN. Yes, sir, the DAV supported the major health care changes that were made several years ago which did institute means testing for non-service-connected care in the VA system. We were not happy about it, no one was, and we noted that the service connected were taken care of as well as other various types of categories, POWs, World War I people, people on pension rolls, and the truly indigent veterans, not service connected veterans, still can get their health care.

The non-service-connected above certain income levels have to pay a portion of that care and, of course, third party reimbursement came in, too. We did support that, because overall we felt it was in the best interests of the system and present and future generations of veterans.

Chairman GLENN. Mr. Powell commented on that before. Mr. Riggin?

Mr. RIGGIN. Mr. Chairman, the American Legion opposed the concept of the means test and, at the time it was recommended several years ago, we continued to oppose it primarily because we do not think that the concept presented as a budget savings initiative was going to at the time it was proposed to meet its objective. We are convinced now that it really is not saving that much money in terms of VA health care outlays.

We note that the population within the Veterans' Administration medical care system being served by that system prior to the means test has not substantially changed when compared to the way it is now in terms of service connected and nonservice connected below a certain income level, et cetera, et cetera.

So, we have differed or maintained a different position on that issue than our fellow veterans organizations.

Chairman GLENN. OK. Thank you. Mr. Egan?

Mr. **Egan**. My organization believes that the VA health dollar is disproportionately targeted toward the non-service connected veterans and at the expense of the service connected disabled veteran, so the short answer to your question is yes, we support the means test.

Chairman **Glenn**. Thank you. Gentlemen, you have been very patient with us this morning. We may want to have additional testimony at a later hearing on this. We will not have any more hearings this year on it, because we are going out of session, we hope, either—we thought we were going out of session October 1, and right now I will settle for Christmas Eve, at the rate we are going, but we are trying to get out anyway. There will not be any more hearings this year on it, and we may want to get back to you on several of these issues that we talked about today, including what goes into the final legislation, what we either change here or what we add or whether there is to be a new bill or whatever, that is all yet to be decided.

We look forward to your counsel and advice, you are the people who are on the firing line and keep in touch with your members and know what their views are, and we appreciate your views this morning.

I think the hearing has raised a number of important questions regarding the future organization and operation of a Department of Veterans' Affairs. There are issues that must be further reviewed by the Committee and we hope to have several studies. We are trying to do some outside studies on this. We have not decided yet for sure what we are going to do.

We found strangely enough—and I might share this with you—the first thing when we were getting ready for this hearing, I told the staff to check with the Library of Congress, the Congressional Research Service, which we use, to get a bibliography of past testimony and writings and testimony of this particular subject and, lo and behold, we found practically nothing. There was nothing over there, which I was surprised at. I thought we would have a dozen studies to draw from, pro, con, in the middle, whatever, and we could tailor our hearings to flesh some of those things out, use them as background, get some of the people who have written those things earlier to come in and give us their pro-con views, and we just found zip basically, so it means we are—and I was very surprised at that, because I think this proposal for a Veterans' Administration has been around, I think the first proposal was made, what, 37 years ago, I read some place? It has been around for almost four decades, and yet there has apparently not been the substantive study of this one way or the other.

Now, as I said starting out the hearing, I certainly do not want to delay things, but I think I owe it to the American people to make certain that we know what we are doing. If we are going to organize, we are going to organize properly, we know what the expenses are going to be, we want OMB—if anybody is here from OMB this morning—be advised that we are going to want the cost estimates which no one has gotten yet from OMB, I guess they have not run an estimate of this, but I want OMB's imprint on this, so we want to flesh out what is going to be the best, because I do not want to see us rush into something here that is going to last a long time do a half-way job on it.

So, we may want those studies and we are looking around at that right now, whether it is the best possible approach or not, we want to do it right and basically, because our veterans deserve nothing less than that.

Before closing the hearing, I want to put several statements in the record.

The hearing will stand in recess subject to the call of the Chairman.

[Whereupon, at 1:15 p.m., the Committee was in recess, subject to the call of the Chair.]

PROPOSALS TO ELEVATE THE VETERANS' ADMINISTRATION TO CABINET-LEVEL STATUS

TUESDAY, MARCH 15, 1988

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:03 a.m., in room SD-342, Dirksen Senate Office Building, Hon. John Glenn, Chairman of the Committee, presiding.

Present: Senators Glenn, Mitchell, Levin, Sasser, and Heinz.

OPENING STATEMENT OF CHAIRMAN GLENN

Chairman GLENN. The hearing will be in order.

Today, we continue the Committee's review of proposals to elevate the Veterans' Administration to Cabinet status. As I said at our first hearing on elevation last December 9, if we are going to elevate this agency to the front lines of the Executive Branch, we must do it right.

We do not believe you just suddenly say an agency is going to Cabinet status and it just occurs without a number of considerations, some of which are other laws that will have to be changed, and some of which involve the political nature of the new Cabinet. There are quite a number of things that have to be considered. That means Congress must ensure that a new Department of Veterans Affairs is as effective, accountable, and well managed as possible.

Now, at that first hearing on December 9th, I was criticized in some of the newspaper reports of that hearing, I think, perhaps by reporters who did not get to the hearing on time because they did not hear my opening statement, perhaps.

But that hearing was basically to hear the witnesses that were pro for establishing the Veterans' Administration as a Cabinet level agency. It was written up in the papers after that that I had not put out a balanced hearing there by some who would be against such a proposal.

But I said at the beginning of that hearing that that was basically pro and that we would later on have some of the people who might not think this was such a good idea or who might make some suggestions as to how it could be done in a different way than had been proposed by either the legislation submitted in the Senate or that which came over to us from the House.

This morning, we have some of the people who either are not for it or who take a different view of how this should be done. So we are trying to make a balanced Committee record, which is our responsibility to do.

No matter what the vote may have been in the House or how many cosponsors, I feel it is the responsibility of this Committee to present all aspects of this so that what we do benefits the veterans, so it is done just for the prestigious purposes of saying, well, we now have somebody in the White House, do we not? I want to make sure that whatever we do benefits the veterans of this country, and that is my main objective with these hearings.

There is no doubt in my mind that the people who work at VA are dedicated to the agency's mission. Many are veterans themselves who served the nation honorably during times of war.

Nor is there any doubt that the agency and its employees care very deeply about the debt that we owe to those who answered the call to duty for the United States. The question is not whether the agency and its employees care about America's veterans, but whether we are giving the agency and its people the tools to succeed and whether the agency is able to achieve the measure of excellence our veterans so clearly deserve.

These issues of organization and management cannot and should not be divorced from the issue of elevation of VA to Cabinet status. When this Committee decided to consider legislation elevating VA to Cabinet level status, I asked my staff to gather any and all scholarly studies on this issue.

I wanted to know what experts on government management had written regarding the criteria for creating a new Cabinet level department and what analysis had been done on whether VA met these criteria.

Now, much to my surprise and chagrin, and despite the long-term interest of some on the Hill in creating such a department, we could find no such studies. The Library of Congress had none. I thought there would be a bibliography over there, a quite lengthy one, in the Library of Congress of hearing records and studies and writings by scholars on this particular subject. We found there was nothing; a few things on a couple of hearings years back, but nothing of any real substance that had been written on this, pro or con.

So, accordingly, I directed the staff to make arrangements to commission a non-partisan, objective study of the elevation of VA to the Cabinet. With the cooperation and approval of the ranking member, Senator Roth, a contract was subsequently signed on December 18, 1987, with the National Academy of Public Administration, NAPA.

Under that contract, NAPA was asked to develop criteria for creating a new Cabinet level department and to examine whether, in NAPA's view, the VA met those criteria. NAPA was also asked to assess how an elevation bill might be drafted in the event the Committee decided to move ahead with a change in the status of the VA; in other words, to address how this should occur and what the advantage to veterans would be if it did occur.

In addressing these study issues, NAPA appointed a panel of former high-level government officials, including a former Cabinet officer and senior management experts from both sides of the aisle, and the panel delivered its report to us on March 14, just yesterday. I am releasing that NAPA report this morning.

Given the short time that NAPA had to prepare the report, I wish to publicly compliment them on an excellent, thoughtful product, a product which will be useful for many years to come to all those interested in government organization and management.

Now, the NAPA report indicates that there is no compelling reason why the VA, with its present structure and modes of management, should be elevated to Cabinet status. Coupled with this conclusion is a significant body of evidence partly addressed by the NAPA panel that significant improvements in the agency's management need to be made and that the quality of service to our veterans needs to be raised. Testimony later this morning by the General Accounting Office and later this month at our next hearing will provide further details on this score.

Now, does this mean that the Governmental Affairs Committee should reject the creation of a Department of Veterans Affairs? One of the primary missions of this Committee is the promotion of better government through better organization and management.

It is also the responsibility of Committee members as U.S. Senators to ensure that the government treats those it serves, including veterans, fairly and efficiently. This does not mean that we automatically follow the conclusion that NAPA has in the opening part of their report.

In my view, if the elevation of the VA to Cabinet level status is accompanied by significant measures to improve the management and operation of the agency, as well as to ensure the fair treatment of all veterans seeking access to agency services and benefits, then the case for elevation becomes very, very strong.

Legislation which includes such improvements within an elevation bill should be the goal of this Committee over the next few weeks. So I look forward to working with the distinguished ranking member, Senator Roth, and all the other members of this Committee on a bipartisan basis to move quickly toward consideration and action on such legislation.

Our opening witness this morning was to be Senator Simpson. I understand he is at the White House right now at a meeting and will be along as fast as he can, and we will put him into the witness list whenever he arrives here.

We have Senator Mitchell with us this morning. Senator Mitchell, do you have any opening statement?

OPENING STATEMENT OF SENATOR MITCHELL

Senator MITCHELL. I do, Mr. Chairman, and I thank you for providing me the opportunity to make that statement. It is a pleasure for me to join with you and other members of the Committee today as the Committee continues its consideration of the proposal to elevate the Veterans Administration to Cabinet level status.

I look forward to hearing the testimony of today's distinguished witnesses. I am especially interested in the views of the panel representing the National Academy of Public Administration and the General Accounting Office regarding the structure and management of the Veterans Administration and the merits of elevating the agency to Cabinet status.

Mr. Chairman, as you know, I strongly support making the Administrator of Veterans Affairs a member of the President's Cabinet. When the Committee began its consideration of legislation to do so, I indicated that the Committee had to remain mindful of two important points.

First and most important, the Committee must remember that the VA's single obligation is to carry out the words and spirit exemplified by President Lincoln when he said, "It is to care for him who shall have borne the battle, and for his widow and orphan."

Few responsibilities of any other agency or department in the Federal Government carry with them the moral obligation embodied in the health care, education, compensation, research, and home loan programs administered by the VA for this Nation's veterans, their survivors, and their dependents.

The second point is that the Committee, in creating a Department of Veterans Affairs, has the responsibility to create one that can provide services to veterans in a consistent, effective, and efficient manner. This is no small task; it is an important task.

The testimony of today's witnesses and those at the March 28 hearings will provide us with the information necessary to make informed judgments about the legislation. Mr. Chairman, today's witnesses reflect your determination for the Committee to undertake a full review of the issues germane to the question of elevation, particularly of the agency's management structure.

After that examination and deliberation, I have no doubt that this Committee and, in turn, the full Senate will vote overwhelmingly in favor of Cabinet status for the VA. I intend to work with you and other members of the Committee in that process so this proposal can be presented to President Reagan for his signature and enactment into law as soon as possible.

Chairman GLENN. Thank you, Senator Mitchell.

Senator Roth, who could not attend today's hearing, has a statement for the record and it will be included at this point.

[Senator Roth's opening statement follows:]

OPENING STATEMENT OF SENATOR ROTH

Mr. Chairman, I am pleased that you have scheduled this second hearing on the Veterans Affairs Department legislation. In the past this Committee has thoroughly analyzed organizational proposals that have come before it. The Committee conducted a lengthy review and made significant improvements in the proposals to create the Departments of Energy and Education prior to their enactment in the 1970's. This series of hearings on the Department of Veterans Affairs proposal continues this Committee tradition.

In these hearings we can delve into issues of organization and administration that will permit us to design a prototype new department; one that can provide a model of organization and management procedures to be applied in the new entity and to be followed in other departments and agencies across the Federal Government.

In this way we can assure that the performance of the new department will match the promises we have made to the nation's Veterans and their dependents; promises of quality health care, housing, education and the like.

As a personal commitment toward realizing this goal, on July 30, 1987 I cosponsored legislation to elevate the Veterans Administration to a Cabinet level Department. The size and scope of VA programs and responsibilities justify its elevation to an Executive Department. The Veterans Administration is the largest independent agency in the Federal Government. The agency's budget authority of $27 billion allows for a breadth and diversity of programs and services unequalled in the free world. The VA provides compensation for service-connected deaths and disabilities to eligible veterans and survivors; pensions for income maintenance of veterans and survivors; education and training service to veterans and dependents; housing and credit assistance; veterans' and servicemen's life insurance; hospital, medical, dental, and outpatient health care; nursing home and domiciliary care; medical and prosthetic research; and burial benefits to a group of Americans that numbers about 79 million.

In advocating the creation of a Cabinet level Department, I am not suggesting the creation of more government. What I an suggesting is the creation of better government. Cabinet level status for the Veterans Administration should result in close congressional oversight. This scrutiny should help the Secretary of Veterans Affairs in fostering accountability to veterans; more accurate and timely processing of veterans benefits; better management in the Department; efficient and cost effective use of Veterans Affairs funds; and, responsibility to the mission of repaying the nation's debt to our veterans while enhancing the integrity of the Federal Government.

In the creation of other executive Departments we generally have consolidated existing programs or created an entirely new entity. The existence or the Veterans Administration as a freestanding organization presents a unique situation. The VA was created in 1930 to house all of the Veterans' programs. The elevation to Cabinet status will take that existing organization and make it operate better; not bigger. Handled correctly, this organizational change can be a catalyst for greater efficiency, accountability, and service delivery in the realm of veterans services and benefits. I am looking forward to these hearing in order to address these questions of structure, accountability, and efficiency.

The House of Representatives passed similar legislation in the last session of the one hundredth Congress, and President Reagan has endorsed the idea. I put my support behind Senator Thurmond's bill in July, as I have mentioned, and feel strongly that action be carried out and the veterans get the recognition that they deserve with an Executive level Department. Our Nation's veterans put their lives on the line to preserve the freedoms we all hold so dear. We owe it to those individuals, their dependents and their survivors to create a Department of the Federal Government which is accountable and responsible in the delivery of their benefits.

Chairman GLENN. Our first witness this morning will be Mr. William Fischer, Panel Chairman of the National Academy of Public Administration during study of the Veterans' Administration. Mr. Fischer was Assistant Secretary of Education in the last administration and Assistant Director of the U.S. Congressional Budget Office for Human Resources. He is accompanied by Mr. Albert Linden, Adjutant/Treasurer of Disabled American Veterans of the State of Florida, and Mr. Howard Messner, Chief Executive Officer, American Consulting Engineers Council, and former Associate Administrator for Administration of the Environmental Protection Agency, EPA, and former Deputy Associate Director of the Office of Management and Budget, OMB.

Gentlemen, we welcome you all this morning and, Mr. Fischer, we look forward to your statement.

TESTIMONY OF C. WILLIAM FISCHER, CHAIRMAN, PANEL ON VETERANS AFFAIRS, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION, ACCOMPANIED BY ALBERT LINDEN, ADJUTANT/TREASURER, DISABLED AMERICAN VETERANS, STATE OF FLORIDA; AND HOWARD MESSNER, CHIEF EXECUTIVE OFFICER, AMERICAN CONSULTING ENGINEERS COUNCIL, AND FORMER ASSOCIATE ADMINISTRATOR FOR ADMINISTRATION, ENVIRONMENTAL PROTECTION AGENCY, AND FORMER DEPUTY ASSOCIATE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. FISCHER. Mr. Chairman, it is a pleasure for the National Academy of Public Administration, to be requested by the Committee to file this report. I am accompanied today, as you already indicated, by two very good friends and colleagues of mine, Mr. Al Linden, on my left, who——

Chairman GLENN. If you would pause just a moment, can the people in the back of the room hear?

I see some heads nodding no. If you will pull that up real tight and speak loudly, please, if you will?

Mr. FISCHER. How about this?

Chairman GLENN. That is good, right into that.

Mr. FISCHER. Testing.

Chairman GLENN. Good.

Mr. FISCHER. All right, I will do that.

Chairman GLENN. Good.

Mr. FISCHER. Thank you very much.

Certainly, when the Senator from Wyoming appears, we will be glad to step down while he addresses the Committee, if that is the Committee's pleasure.

Chairman GLENN. Fine.

Mr. FISCHER. It might be a good idea, Mr. Chairman, if I simply described the National Academy for the Committee, its organization and nature. I think it is also important in introducing two of the seven panel members with me to note that my colleague, Mr. Linden, in addition to presently working for the Disabled American Veterans, worked for the twelfth Cabinet department for a period of about eleven years and its predecessor agency, the Federal Energy Administration, and, in the previous year, served as national commander of the Disabled American Veterans.

My colleague, Mr. Messner, on my right, and I had the pleasure of serving in the Federal Government for more years than either one of us cares to remember, but our most exciting time was working for the Congress of the United States in the Congressional Budget Office. It is always a thrill to work for 535 bosses simultaneously.

The National Academy of Public Administration is a non-profit, non-partisan organization, founded in 1967 and chartered by the Congress to provide independent advice and counsel on organization and operations of government at all levels.

There are about 350 members of the Academy; they are elected members. The Academy has produced about 150 such studies like the one that we have provided to you and to this Committee under contract yesterday.[1] Most of them have more than nine weeks from conception to fruition. We hope this one serves the Committee and the Congress well.

I would like to indicate how the panel went about its work. First, we read all the testimony that was presented before the substantive committees of the Congress on both H.R. 3471 and Senate bill 533, which are before this Committee today.

We supplemented that testimony with presentations on specific questions in hearings that we held on February 1st and 2nd. We invited both the present and immediate preceding Administrators of the Veterans Administration to appear before us. They provided answers to our questions; they followed that up with written materials and provided written statements to the committee.

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[1] See p. 357.

We met with former members of the Congress, including the former President of the House Budget Committee, Congressman Jones. We met with the chiefs of medical services of the Veterans Administration, and they presented their testimony before us.

The Academy staff and ourselves also reviewed literature on this subject and, Mr. Chairman, as you indicated in your opening statement, we found it to be sparse, specifically with regard to the Veterans Administration, but we did our best to compile what we think is a fairly comprehensive bibliography of relevant materials, and those are included in the report that is before you.

We did rely on the pool of experiences of the members of the panel and we were especially privileged to have as panel members former Secretary of Education, Terrel Bell, from the first Reagan administration, the Secretary of the thirteenth Cabinet department, the Department of Education, in which I also was pleased to serve; and also the chairman of the board of Alcoa and chief executive officer of Alcoa, and former chairman of International Paper Company, a former deputy director of the Office of Management and Budget, and others whose descriptions are included in the report before you today.

With regard to how we proceeded, the Committee and the Committee staff gave us guidance by providing us with eleven specific questions, which are also included in the document that is before the Committee today, and we did our best to be as directly responsive to those questions as we could be.

The panel agreed at the outset, and in consultation with Committee staff and yourself, Mr. Chairman, that our product would be most useful to this Committee and the Congress if we did not presume to answer the direct question of whether the Veterans Administration should be elevated to Cabinet status, but rather to spend our time trying to help understand the questions that members of the Congress have, over the years, asked with regard to the elevation of a federal function to Cabinet status.

And along those lines, we developed 14 criteria on the question of "whether," the VA should be given Cabinet status which we think are a useful set of questions. They may not be all of the questions that members of the Congress wish to ask in helping themselves address this question, but we think that they are a good beginning, as guidelines for use by the Committee.

And the panel provides and recommends those 14 criteria for your consideration and your use. We have included them in the report in a matrix form at the back of the report so that members of the Congress can use them in reaching their own conclusions.

The panel does not make a specific recommendation on the question of Cabinet status because it believes that elected policy officials should apply their own judgment and weights to the criteria that we have provided.

The panel does provide what it believes are fair and objective comments on how these 14 criteria apply to the instant case of the Veterans Administration and its potential elevation to Cabinet status.

The panel, after consultation with yourself, Mr. Chairman, and the Committee staff, also decided not to make detailed assessments of either the current efficiency with which existing programs are delivering services and benefits to the veterans population, or the merits or problems with VA program policy as it now exists in current law or regulation.

Essentially, we did that because it was not the focus requested by the Committee and because of the extremely limited time frame required to produce this report. The panel does believe that changes in organizational form should follow decisions on program substance, and offers its opinion that a Presidential commission or some other vehicle to do an in-depth analysis of the adequacy and execution of services and programs for veterans would be necessary and desirable to fully consider these matters.

By the way, that kind of an examination, to the best of our knowledge and based on our report, has not been conducted for about 40 years.

The panel notes that there is a risk in creating a new Department of Veterans Affairs; that that act itself could be perceived as doing something substantial to address the needs of veterans and, thus, effectively deemphasize and delay a reexamination of the adequacy of basic services and programs for veterans.

In part II of the report, the panel identifies nine public management guidelines for the structure of Cabinet departments so that should the Congress decide, as the House already has, to elevate the Veterans Administration to department status, these public management guidelines could be used to address the question of structure that center on how can we structure a department to assure the adequate provision of services and programs to veterans. We are prepared to answer your questions on those principles and to enunciate those principles.

And then, based on those principles, the panel makes specific recommendations about the structure of a department for veterans affairs that we think would be helpful in making such an entity more responsive to veterans' needs.

I am going to ask my colleagues if they care to add to this opening statement, but I guess, Mr. Chairman, I would like to end my opening statement with the following comment. We are not here to discuss the priority of meeting the needs of those people in our society who have given the most to defend it, our veterans. There is no issue, and the panel found no issue on that question about the priority and the urgency of meeting and continuing to meet that need now and into the future.

We are discussing rather than a question of needs; what form of organization and structure will best assure that those needs are met now and in the future. The panel did not take a vote among itself on the question of Cabinet status.

In fact, I am sure, Mr. Chairman, that there is some disagreement among the panel members, but the panel did agree and does recommend these criteria and these public management guidelines for your use as a Committee and for the use of the Congress as a whole.

If either of my colleagues would like to join me in this opening statement, they are welcome to now. Otherwise, we are happy to proceed to respond to your questions.

Chairman GLENN. Fine. Mr. Linden, do you have any comments?

Mr. LINDEN. No. I would be glad to answer any questions that you have at this time.

Chairman GLENN. All right, fine.

Mr. Messner?

Mr. MESSNER. I think answering questions, Mr. Chairman, is the best way to get at this.

Chairman GLENN. All right, fine. I think since we held the release of your report until today—we did not put it out in advance, so there have not been newspaper reports of it. I think perhaps it might be good if you wanted to read either the executive summary into the record—the entire report will be placed in the record [1]—either that or the general conclusion of the panel, which was on page 21. Perhaps that gives the gist of it.

Mr. FISCHER. I would be happy to. I think perhaps some combination of the above, Mr. Chairman, but I think we should probably start with the executive summary, and the general conclusion at the end of Part I of the report is very short; it is about a page long, and I believe that it is found on page 21, as you indicated. That might be helpful and I would be happy to do that.

Chairman GLENN. Fine. Why do you not proceed?

Mr. FISCHER. This is from the executive summary: The Senate Committee on Governmental Affairs has before it legislation which would establish a Department of Veterans Affairs, and pursuant to a contract between the Committee and the National Academy of Public Administration, a panel of Academy members and other senior officials with a wide range of relevant experience has considered a series of questions posed by the Committee and we have prepared this report.

We grouped the questions, your eleven questions, into two general areas; the first, whether the Veterans Administration should be elevated to a Cabinet department and, second, how this elevation should be achieved.

On the question of whether, the panel recognizes and vigorously supports the overwhelming consensus in our society that the needs of its military service veterans should be met fully and equitably. Meeting the needs of the veterans of the United States and their dependents and survivors is regarded as a very high priority for allocating resources necessary for direct health care, as well as for financing disability compensation, pension benefits, life insurance, home loan guarantees, education and training, and burial services.

And I think there is a broad consensus in the panel, if I may interject, Mr. Chairman, that we see that as an important element of the national defense programs of the nation. It seems to us to be the logical continuum for those who are asked to sacrifice the most that we assure that their needs resulting from that service should be fully met.

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[1] See p. 357.

The panel carefully evaluated the proposals and background material relevant to establishing a Department of Veterans Affairs, and as an aid to reaching its conclusions, it has developed a set of 14 criteria which it believes would be useful to the Committee in evaluating whether the Veterans Administration or any other government organization should function as a Cabinet department.

These criteria are discussed in Part I of the report and are listed in Appendix C as a working document for members of the Committee and the Congress to use in reaching their own policy conclusions.

After applying these criteria to the VA, the panel reached the following conclusions. It finds little evidence that the prospects of fulfilling the vital mission of providing for the present and future needs of veterans would be materially improved by elevating the VA to a Cabinet department.

The panel does not believe that such an elevation would significantly improve access to the President, affect the adequacy of necessary resources, or improve the organization, management and delivery of high-quality services and benefits.

The panel does recognize the potential political value of raising the public visibility of the needs of veterans in the President's Cabinet as a vital part of the national defense function.

The panel also notes the extraordinary level of support which now exists for veterans, as shown by the 12.3 million volunteer hours and the $21 million in contributions to the VA, and that is the general post funds, on behalf of veterans last year.

Given the broad political support which also exists for the VA and its programs, the gain from elevation to a Cabinet department would be at the margin. The panel found that coordination of veterans programs would not be significantly improved. Most of them are already in the Veterans Administration.

Cabinet status might bring marginal improvement in working with the Departments of Defense and Labor, where the other major veterans programs exist. The panel has seen reports of internal weaknesses in the VA. However, the panel concluded that a Cabinet department is not required to make necessary improvements, although the creation of more Presidential appointments could improve the quality of veterans programs by attracting better managers.

By the way, Mr. Chairman and members of the Committee, that is not to take anything away from the present caliber of management in the Veterans Administration. We are saying as a matter of general principle that Cabinet status does have the advantage of attracting better managers on the whole.

The panel recognizes that placement of veterans affairs in the Cabinet as a department could facilitate the more uniform achievement of broad, cross-cutting national policy goals.

However, the panel believes that there are other mechanisms now in place or available which have been and could be used to accomplish these purposes whether or not the VA is elevated to be a Cabinet department, although Cabinet status might make the current mechanisms work more effectively.

By the way, we say in another place in the report, just to add to that—and this was something that was felt strongly by Secretary

Bell—that his Cabinet status helped him reach other Cabinet members much more easily than he believed could have been done had he been the head of an independent agency to assure their cooperation.

Also, the panel doubts the utility to the President of increasing the number of people in the Cabinet because such additions make the Cabinet an even less manageable body of presidential advisers. The number of Cabinet departments has increased from 9 to 13 since 1965. Increases in the Cabinet size tend to reduce its value to the President and to further lessen its use or lead to its fragmentation. However, this is not a conclusive reason, in the panel's judgment, in any single case, including this case, not to create another Cabinet department.

Finally, the panel notes that elevation of the VA which serves a single clientele group to a Cabinet department makes it difficult to object to proposals for similar treatment of agencies such as the Social Security Administration with its program for the aged.

We then come to six conclusions on how a department should be established if that is the judgment of the Congress. The first is we believe that ten presidential appointments should be adequate, and that the Secretary should have flexibility in assigning the appointees duties. And we provide a structure in the report for our suggested assignment of those duties that, again, re-emphasizing that a Secretary should have flexibility in assigning those duties.

Aside from the presidential appointments, the present balance in the VA between political and career executives appears appropriate for the mission of the department and should be carried forward into a new department.

There are a number of restrictive provisions which the panel found in present and proposed law that would prevent a new Secretary from effectively managing the Department of Veterans Affairs. The panel recommends that these be removed.

Costs of establishing a new department are not inconsequential, and it would be prudent to establish a reporting requirement as an aid to ensuring that such costs do not become excessive. While we think they are not in consequential, when you are thinking about a $29 billion agency, you will see in the estimates of cost that we have produced that they also should not be regarded as a barrier.

On the question of a biennial budget which the Committee referred to us, we believe it is not crucial to the establishment of a Cabinet department, but we also believe it would be useful to try this concept in a new Department of Veterans Affairs, which we believe is more amenable to a biennial budget than some other agencies and departments of the Government.

Finally, with regard to transition to a new department, we believe that if a new department is established that it would be advisable for it to become effective with the inauguration of the new President in January 1989. We say that because of the turmoil which we think would occur by attempting a transition in the last year of a presidential administration, and we also provide in our recommendations, suggestions or recommendations, that it should be no sooner than Inauguration Day but no later than 180 days after it to provide some opportunity for the new President to select the leadership of the Cabinet department.

That is the executive summary, Mr. Chairman. The general conclusion with regard to part 1 of the panel's report is found on page 21. I will read it if you like; otherwise, we can proceed.

Chairman GLENN. I believe that basically repeats what you just said.

Mr. FISCHER. I think it does.

Chairman GLENN. I do not know that we need to have it repeated. It is on 21 if those people who have copies wish to read it there. Any other comments? Mr. Linden? Mr. Messner?

Mr. MESSNER. No.

Chairman GLENN. Fine. Thank you. We will have our questioning limited to 5 minutes each since we have several members of the Committee here today.

You mentioned the costs as being not inconsequential. Can you put a dollar figure to that?

Mr. LINDEN. Yes. If you turn in your report, I believe it is toward the latter part of the report where they mention some signage costs to change the signs at the VA, and also to change the stationery. As Mr. Fischer said, these are minor costs if you look in comparison to their overall budget, but they do amount to several million dollars.

Mr. FISCHER. For the Committee's benefit, it is on page 29.

Mr. LINDEN. You will see the various costs that are associated with elevation. However, again, we do not feel that that would be a barrier to elevating it to Cabinet level status, but merely point out that there would be some costs. And they could be spread over a number of years, as has been indicated by the current administrator Turnage in terms of fulfilling that obligation.

Chairman GLENN. You are talking, as I read this, at something under, what, $10 million?

Mr. FISCHER. Nine to 10 million dollars is our estimate of the incremental costs, Mr. Chairman, yes, sir.

Chairman GLENN. Fine. Did you find any absolute negatives to elevation?

Let me tell you one thing I have been concerned about. I have been concerned that as we go to more political appointees we not politicize the VA. The VA, of all agencies of Government, I think, has had a pretty much bipartisan support here on Capitol Hill—a few dissidents in the ranks, but mainly good bipartisan support. Now, that has been with only three political appointees.

If we go to 10 or the House suggested, what was in there, 11 or 13 I think it was.

Mr. FISCHER. Fourteen, I believe, sir.

Chairman GLENN. Fourteen, okay. We begin to take on a much more political view of the VA here that I have been afraid might engender a little less bipartisan support here on the Hill. Did you consider that, and did you find that to be a major concern or not?

Mr. FISCHER. Yes, sir. We do think it is a serious question and, therefore, a very legitimate item for you to raise and for the Committee to consider.

We think a couple of things. First of all, we are dealing with an agency that is primarily a technical services agency, and not, by definition, one that is involved in major political issues because of the broad consensus that you pointed out. Therefore, what we are recommending here is the retention in the senior levels of professional management and in the middle management levels of the Veterans Administration that that be carried forward into a Cabinet department. We actually allude to that in the report and provide a table of the numbers of career and non-career SES officers that are now authorized in the Veterans Administration. That is on page 28 of the report.

We do not believe that this important balance between political leadership and professional management would be distorted to the disadvantage of serving veterans with the provision of 10 presidential appointees. Where you get in trouble, in our experience, of politicizing an agency or a department is when those presidential appointees bring along with them other political officers that do not have the technical and professional preparation and experience to carry out these programs. That is not necessary, I think, and I think that the recommendations of the panel are sensitive to that.

Mr. Messner may care to comment on that.

Mr. **Messner**. I would like to add something, Mr. Chairman. Part of the arguments for elevating a department is to make it more competitive. And this is a very competitive town when it comes to influence for the executive or gaining resources. After some 25 years in Government, as I look back on my experience with new departments, the ability that institutions have to compete is directly related to the status associated with them. A lot of it is small things: your ability to sit at a Cabinet table, your ability to go to the White House mess, your ability to have a car and driver get you to a meeting before the competitors get there. I know they sound small, and we make a great deal out of the humor of them, but it is a serious matter.

Being an assistant secretary, I was a 25-year career employee and received a presidential appointment from President Reagan at the end of my career to help Bill Ruckelshaus put EPA back together. So I saw it from both sides. Being an assistant secretary gives you strength and leverage; it gets you into rooms that the policymakers at the executive guard closely; and I think it adds to competitiveness.

So, one, Bill Fischer is absolutely right; the panel dwelt on the need to maintain the excellence of the career staff the VA has. But, second, if the Congress decides to go ahead with this elevation, it is an opportunity to put more muscle at the top of the system through careful political appointments.

Chairman **Glenn**. Are there any other things where veterans would actually be hurt, do you feel? Any areas where veterans and their interests would be hurt if we elevated things to Cabinet status? Any of you?

Mr. **Fischer**. I do not believe the panel felt that there would be any direct negative impact on veterans or the programs that serve them. I think I mentioned in my opening statement, and I would repeat here, two small caveats.

That is, the concentration on the symbol of elevation to the detriment of the substance of keeping after improving these programs and assuring the adequacy of service delivery. It would be a shame, and it would be a disservice to the veterans if people regarded this act, in and of itself, as doing something for the services to veterans.

We would hope that if the Congress should make that judgment to elevate that they would not de-emphasize or delay continuing their oversight and continuing to work hard at improving the programs.

There is one other concern, but I do not regard this as a disadvantage at all. That is, if you sit at the Cabinet table and the question of health care cost control is on the Nation's agenda as a cross-cutting issue, or the issue of needs testing programs is a cross-cutting issue, or the issue of fiscal constraints or constraints on Federal personnel is a cross-cutting issue, it is much more difficult to look your Cabinet colleagues in the eye and ask for exceptions to those policy statements.

So I think if you are looking at the cross-cutting, major, overarching issues that the Government more and more has to wrestle with, there is the possibility that the Veterans Administration might be right in there, or the new Department of Veterans Affairs might be right in there with the Secretary of Health and Human Services and Education and Energy in having to step up to those issues.

Now, there are safeguards in the law that would protect against that now. However, we think those safeguards cut both ways, as our report says. But I think, in general, the general answer to your question is no. We do not believe that veterans' programs would be hurt by elevation.

Chairman GLENN. Good.

Senator Levin and Senator Sasser, do you have opening statements?

Senator SASSER. Mr. Chairman, I have a short opening statement that I would ask unanimous consent to be included in the record.

Chairman GLENN. Without objection, it is included in the record.

[The opening statement of Senator Sasser follows:]

OPENING STATEMENT OF SENATOR SASSER

Mr. Chairman, I am pleased to be here today for another in a series of hearings on legislation that will give Cabinet-level status to the Veterans' Administration. I look forward to hearing testimony from witnesses who will offer us their advice on whether and how the Veterans' Administration could be elevated to department status.

As you know, Mr. Chairman, I strongly support this legislation. I am pleased to be one of sixty-four cosponsors of the Senate bill, S. 533. I believe that the roughly 80 million persons—veterans, dependents, and survivors of veterans—who are potentially eligible for VA benefits and services deserve Cabinet-level representation.

The Veterans' Administration provides a wide variety of services to our Nation's beneficiaries. A staff of over 253,000 persons administer disability compensation and pension programs, medical care, education and training, home loan assistance, insurance, and national cemeteries. These are all programs which our Nation's veterans value and deserve for their service to our country. Over the years, I have had the pleasure of assisting families of veterans to secure headstones for the deceased veteran, of making sure that veterans and their dependents get all of the benefits that they are eligible for—that they deserve. I know how important VA programs are to our Nation's veterans and their families.

The VA oversees the largest health care system in the Nation—employing some 47,000 physicians and nurses. Its fiscal year 1987 budget total of about $27 billion was larger than that of the existing Departments of Energy, Interior, Justice, State, and Commerce combined. If size is a criterion to be discussed here today, the Veterans' Administration clearly meets it.

We need to find ways to be more responsive to the needs of veterans for their courageous military service to this country. The case of the Mountain Home Hospital in my home state of Tennessee comes to mind. In 1980, the VA identified the Mountain Home facility as one of the five VA hospitals in the country most in need of renovation—that is, of the 172 or so hospitals in the country, Mountain Home was one of the top five most needy facilities. I'm pleased that construction of this badly needed facility now is well underway and nearing completion. It will serve about 192,000 of approximately 527,000 veterans in the State. In addition, there is a major hospital in Nashville and a VA Spinal Cord Medical Center in Memphis.

One has to wonder, however, how much sooner the Mountain Home facility and others across the country might have received the attention they needed—how much sooner these veterans might have received the atention they deserve—if the head of the Veterans' Administration had had the ear of the President and been able to present his priorities in high-level administration meetings.

Mr. Chairman, I meet with veterans in my home State of Tennessee and representatives of National Veterans Associations quite often to talk about VA programs and legislative priorities. They are extremely concered about the Federal deficit and about the economic well-being of the Nation as a whole. They are equally concerned about the erosion of benefits promised to them and their families—benefits which they earned by entering the Armed Forces and being prepared to sacrifice their lives to defend this Nation. Almost all understand that we must continue to work together to bring Federal spending under control. But they also note that having their interests represented at the Cabinet level would insure that their concerns receive the attention and consideration that they deserve. I look forward to hearing the testimony of today's witnesses on how this may best be achieved.

Chairman **GLENN**. Senator Mitchell, under our early bird rule.

Senator **MITCHELL**. I would yield to Senator Sasser.

Senator **SASSER**. Mr. Chairman, thank you very much, and I thank Senator Mitchell. But I will defer to Senator Mitchell.

Senator **MITCHELL**. Mr. Fischer, among your recommendations are the removal of what you describe as a number of extraordinary restrictions on the management flexibility of the administrator. You have listed a sample of them here. These are all laws enacted by Congress to achieve specific policy objectives usually to limit the authority of the VA administrated to act without prior congressional review.

Now, the most severe restriction, of course, is the requirement that there be a regional office in every State. You do not list that on your sample, and I wonder, do you regard that as a constraint on management flexibility that the VA by law must maintain an office in each State?

Mr. **FISCHER**. I understand, Senator Mitchell, that that is a proposal in the bill that is before this Committee, the regional office in every State. I was not aware—I may be incorrect on this—that it was a provision in current law.

Senator **MITCHELL**. Would you regard that as a constraint?

Mr. **FISCHER**. I have my own view on that, but I think Mr. Linden is prepared to respond to that, Senator, if that is all right with you. Then I will be glad to join in.

Senator **MITCHELL**. Sure. I would like to have your view, too. Go ahead, Mr. Linden.

Mr. **LINDEN**. My view is, and I think the panel's view was generally that, yes, those are constraints to it. I think that the Secretary should have the flexibility to be able to allocate his resources where needed. It may turn out that there is one in every State. In some States, there are already more than one right now.

I do not think that is as significant as some of the other constraints that we mention in our report; namely, the one, if you look in Appendix D, the first one there, that is Public Law 97-66 which deals with title——

Mr. **FISCHER**. It is on page 40, Senator.

Senator Mitchell. I have got it right here in front of me.

Mr. Linden. Okay. Where basically any time they want to review or to move or reorganize 10 percent of the employees in any single facility, it has to be brought up here for 180 days. In my travels around and working with the Veterans Administration and the rank-and-file workers, and also in conversations that I had with former administrator Walters, that is definitely a management constraint.

Senator Mitchell. Of course, there is no doubt about that. The very reason the laws were adopted were to impose constraints. You are just saying you disagree with that, and I gather what you are both saying is that you would oppose any requirement to maintain a regional office in each State as an unnecessary restraint on the administrator.

Mr. Fischer. That certainly is the view of the panel, Senator Mitchell, and we say that. We say that that provision that is in the Senate bill, I believe, that is before the Committee now, we would recommend that you not enact, and we would recommend deleting these others.

The reason is not, obviously, to somehow limit the right and responsibility of the Congress to exercise assiduous oversight on every executive agency. Certainly my experience in the executive branch and the small amount of experience in the Congress indicate that that is very helpful. The problem is when the provisions of law become so restrictive as to take away the managerial authority of the chief executive of an agency, it is very difficult for that chief executive of the agency to be accountable because he does not have the means to achieve the efficiencies and the economies that need to be achieved to better serve the veteran.

Senator Mitchell. I must say, Mr. Fischer, that there is a disagreement on that. There is no question but that the view you expressed is the proper one in terms of textbooks about public administration. The reality we often face—and Mr. Messner said he was at the EPA before, and that is the best example where we have agencies who simply do not follow the intent of Congress under the guise of management flexibility. Therefore, it becomes necessary to pass laws which specify in far greater detail what it is that Congress intends.

I am not suggesting this with respect to the VA, but we run into this all the time with this administration in the EPA. Unless the law says precisely do this, the administration just does not do it, no matter what the law says.

So I think you will find that each of these so-called constraints are just that, but are intended to place into law the details of congressional intent that just have not been pursued. And I guess I just do not agree with you with the need to maintain an office in every State. I come from a small State, and we face this all the time in Federal agencies. Somebody says, well, it is more efficient if we close up all these offices in Maine, New Hampshire and Vermont. We have one office in Boston. Well, if we close all these offices, then we have one office in New York.

We face that all the time in Government agencies, and it is a balance between efficiency, in terms of what it looks like on an organizational chart, and service to real people who have limited access because of removal to another area the service that was previously in their State.

So I think you make a good point in terms of general principles of public administration, but I am just a little bit concerned that we do not end up with no VA personnel in Maine or in a lot of other smaller States, and our service is diminished as a consequence.

I want to make it clear. I do not suggest that every congressional restraint makes sense. There is obviously a balance to be struck. There is a subjective judgment that goes into all of this: what is the benefit as opposed to the cost of lost efficiency. But I think we have to be careful not to exalt above all other considerations the principle of management flexibility. And I think we are all shooting for the same thing, what is best in terms of the veterans for receiving service.

There is a very real problem of veterans who live in large, rural, sparsely populated States gaining access to facilities. And the study we made in Maine demonstrated conclusively that services are utilized in direct correlation to the closeness that people live to the facility. I think that exists all over the country. In fact, a study that was done by the VA at my request supported that.

So you have to be very careful in trying to meet the needs of veterans to make sure you do it in a way that is efficient, but also make sure that all veterans have access.

Mr. **FISCHER**. You are absolutely right, Senator. The name of the game here is service, adequate, timely service to the veteran. And that should be the objective. That should be the principle. And if I was the head of the Veterans Administration and I had to come up and look you in the eye, sir, and you were telling me that your people were not getting adequate service, we would be moving out to get them adequate service.

Since you mentioned the recent experience with the EPA, I think Mr. Messner might want to share some of his scar tissue along those lines.

Mr. **MESSNER**. I do not know if I will end up here some time testifying to create EPA as a Cabinet department. That is not out of the question, Senator.

I would like to distinguish between the policy statements and the policy directions the Congress gives to the executive, and the administrative implementation to those directions. I think the clearer your policy statements are about programs and how you want them carried out, the easier it is for the executive to carry them out.

I have been in agencies, leaving EPA out of it, where the intent of Congress was unclear or vague enough so that we strayed. And during hearings we would be brought back on to the track. I have been in agencies where the statements on policy were extremely clear.

In those areas, I think legislation helps; but in the administration or implementation of policy, the greater the flexibility, assuming competence in leadership and good oversight, the greater the possibility that agencies can respond positively, particularly in service areas.

As I looked at the VA, it struck me that as populations change and age, and as the needs of service delivery changes, this is an agency or a department, for that matter, that is hamstrung, that cannot swing resources towards problems. And I think some kind of reasonable oversight is a way to assure that the administrative flexibility we are arguing for does not become some kind of a policy conflict with you.

Senator MITCHELL. Thank you.

Mr. Chairman, I know my time is up. I have several additional questions for these and other witnesses. May we submit them in writing?

Chairman GLENN. Certainly. And we would appreciate your early response so that the responses can be included in the record.

Senator MITCHELL. Thank you.

Mr. FISCHER. Yes, sir. We would be glad to do that.

Senator Mitchell and Mr. Chairman, if I may, I think Mr. Linden comes from recent field experience in Florida that may shed a little bit more light on this, because I think we are all in agreement on the question of balance, but he does have some cases in point.

Mr. LINDEN. Very quickly, on the subject of a recent report made by the four major veterans 'organizations to request a second regional office in Florida because, as you know, many of the veterans—we have a million-and-a-half; more than 4,000 are moving to Florida every month. They do not get adequate service. Having one regional office does not provide them with adequate support, but given the budget constraints, we have not been successful in obtaining a second regional office. Actually, some of our veterans who live up in the northern part of the State have to travel further than it would be from, say, Maine to Boston to get service.

So when you look at the public policy and actually the implementation thereof, that does put some constraints on. Even if they wanted to, the resources just are not there.

Mr. FISCHER. You do have the advantage, Senator, that none of us—I guess we collectively probably represent 100 years of career service in the executive branch. None of us did that out of a textbook, sir. So we recognize your point, and I think it is valid. It is a matter of balance. And if agencies are not responsive, this is the kind of legislation that is sort of a natural reaction to that.

We found the Veterans' Administration in our experience with it to be very responsive, but obviously somebody was not at some point or they would not have to wait six months to change two FTE in a 25-man office. That is what is required in this provision of the law.

Chairman GLENN. Senator Levin.

Senator LEVIN. Thank you, Mr. Chairman.

You listed, Mr. Fischer, some of the benefits and drawbacks of making the VA administrator a Cabinet member now. I am wondering whether you would tell us whether or not those benefits and drawbacks would be any different if the VA administrator became a member of the Cabinet by decision of the executive, as President Carter did and which President Reagan apparently undid; or whether or not there would be any difference if the action of making the VA administrator a Cabinet member occurred through legislation.

If the President right now said you are in the Cabinet, front seat, does that affect the drawbacks and benefits?

Mr. **Fischer**. I think it does, Senator Levin. I think it is a good question. The reason it does really goes back to what Mr. Messner said. His experience was that it was the informal opportunities for communication is where the difference is made. I think those informal opportunities for communication with your colleagues, other agency heads, have to be enhanced if you are, in fact, sitting there.

Senator **Levin**. My question is, though: Does it make any difference if you are sitting there as a result of an executive order versus as a result of legislation?

Mr. **Fischer**. Well, I think we may have different views on that. I think the substance is achieved if you are, in fact, there. There are other protocols, I understand, in the executive branch in terms of Cabinet officers being invited to many social functions where they meet their peers and so on. I think it might make a difference. So I think at the agency head level, I think the de facto experience would be more important than the de jure experience. But at the sub-Cabinet level—that is, the level of the assistant secretary—then I think the de jure thing might have more of an impact.

And we all know that true coordination, where it exists in the executive branch, is done on the informal levels. And I must say also, on the basis of my experience, that if the President orders that it be done and you are a Cabinet officer and it is ordained that there is going to be close coordination of biomedical research programs, health care delivery programs, and you are going to be held accountable, my experience is it will be done.

Others may want to speak to that.

Senator **Levin**. Mr. Fischer, in your review, did you find out why the President has not already made the VA administrator a Cabinet officer?

Mr. **Fischer**. No, sir. We did not inquire of the Executive Office of the President on that subject.

Mr. **Messner**. Senator, could I just add——

Senator **Levin**. Well, I would rather you not if I am going to be limited to 5 minutes. I have got four or five more questions.

Chairman **Glenn**. That is all right. Go ahead.

Senator **Levin**. Apparently, the chairman is giving me an extra 30 seconds here.

Mr. **Messner**. Well, part of the answer to your question is that what the President can put in to a Cabinet room, the President can take out of a Cabinet room. Having served in an agency, EPA, where we were a member of the Cabinet on some occasions and not on others, it raises the questions of continuity of policy and do you want to have different views at that table.

Senator **Levin**. Do you know, Mr. Messner, why this President has not made the VA administrator a Cabinet official?

Mr. **Messner**. No, I do not.

Senator **Levin**. The next question I have has to do with the current occupants of the assistant secretary positions that would be created under your suggested structure. We now have people who are performing those particular services; in most cases, these are career civil service positions, I gather. Under your suggestion, the President would be able to select an assistant secretary for all of these positions. If he selected a different assistant secretary, what happens to the person who is currently performing the function?

Mr. MESSNER. I am going to try to answer that. There are no strict rules. The President can select who he wants to with Senate confirmation.

What normally happens—I have been in that position, the down side part of that position a number of times—is that the existing head becomes an office deputy or assistant.

Senator LEVIN. My question is: That person is performing a function. That function is taken over by someone else who is appointed and confirmed by the Senate. What happens to that person who is now performing the function?

Mr. MESSNER. They are layered.

Mr. FISCHER. They normally become a deputy assistant. He said they are layered. They normally become a deputy assistant secretary or an office director that reports to an assistant secretary. That is the normal course of events.

Senator LEVIN. Do they fill a vacant position?

Mr. MESSNER. Yes. They are guaranteed a position, the Title V of the U.S. Code.

Senator LEVIN. Say there is no vacant position available, is my question. What do they do?

Mr. MESSNER. Well, they have job rights, and the vacant positions that become available through normal turnover must be assigned to the person.

Senator LEVIN. I have got that, but what happens if there is no vacant position?

Mr. MESSNER. I have never seen that circumstance. There is enough of a lapse rate in a department of this size that it can handle it.

Senator LEVIN. But it is vacant positions to which they are appointed.

Mr. MESSNER. That is correct.

Senator LEVIN. We are not going to be creating jobs.

Mr. MESSNER. That is correct.

Mr. FISCHER. That is correct.

Senator LEVIN. All right. Do you have any opinion, Mr. Fischer, as to whether or not allowing judicial review of VA disability benefit decisions would improve accountability of the VA? Did your group look at that at all?

Mr. FISCHER. The panel did not look at that. We were not asked to address that question. I think all of us have some views on that out of our own experience, but we do not have a panel view. I want to make that clear, Senator. If you want some personal views on that, we can share with you from our own experience.

Senator LEVIN. Okay.

Mr. FISCHER. It is my understanding that less than 1.5 percent of all initial determinations that are made with regard to claims filed with the Veterans' Administration are taken on appeal in the present process. Where the benefit is denied, about a third of those are reversed. About 18 percent of them are remanded back by the

Board of Veterans Appeals. Many of those that are remanded back are, in fact, looked at again in more depth and reversed.

You are in a situation where the Veterans' Administration sees their role as being non-adversarial; as a matter of fact, as being an advocate of the veteran. In the large, large preponderance of cases, the claim is, in fact, adjudicated administratively in favor of the veteran, and the number of appeals from original determinations are very, very small.

It is my personal experience that when you inject into that administrative review process judicial review which is, by its nature, adversarial, that you delay the final determinations in the first instance, and in the second instance you make them much more costly. Because you now have the legal profession, much as we all respect it, in the act. So I think that is to be avoided.

Now, in the event that there are specific sets of cases which do not seem to be responded to for other over-arching or external policies, then I suppose a judgment could be made that judicial review should be the final arbiter of those cases. But if the Congress should decide to do that, I would strongly recommend that you not allow judicial review and administrative processes to run concurrently. I have experienced that. I am, in fact, experiencing it now at the University of Colorado. Nothing is worse than to be involved in a parallel track of administrative and judicial review.

So if it were the judgment of the Congress to provide judicial review, I would make sure that it was mandated that the administrative processes be exhausted before judicial review could be invoked. But in general, when you are dealing with an agency that has a record like this one—in general, with very few initial determinations being taken on appeal, and many of those remanded and ultimately worked out on a mediation and conciliation basis—to throw that into the adversarial process of judicial review would be something you would want to approach with a lot of caution.

Senator LEVIN. My time is up.

Mr. LINDEN. I would like to also comment on that, if I could, Mr. Chairman.

Chairman GLENN. Yes.

Mr. LINDEN. I think it is wrong for the veteran, very clearly wrong for the veteran, it is not in his best interest to pay a percentage of his compensation to a lawyer to have it done. That is what some of the proposals would result in. So I do not think—as the Chairman said at the outset, what we want to do is to improve services with this prospect that this would definitely improve the service, and I do not think it should enter into this determination whatsoever. I think it should be kept totally separate and apart because it does not help the veteran.

Senator LEVIN. Would you suggest that any of the agencies that currently have judicial review have that review eliminated under your criteria?

Mr. FISCHER. Well, if they have it now, that is a much larger question, Senator. Not only did we not look at this in the case of the VA, we certainly did not look at it in the case of all the other agencies.

I would certainly feel strongly that the exhaustion of administrative remedies certainly ought to be a requirement.

Senator **Levin**. Not that part of your answer. The other part.

Mr. **Fischer**. Well, I think it would depend very heavily on the record, sir. The record of administration in the case of the VA looks to me as though experientially there is not a heavy preponderance of evidence that judicial review is required to do the right thing for the veteran. It does not seem to be working out that way. There may be instances, and I do not know of them. There may be instances where that is not happening. But in general, when you have got less than 1.5 percent of the original determinations only being taken on appeal—and many of those resolved in the administrative process—I would be very cautious to go with judicial review.

Chairman **Glenn**. Can I interject something there? This one has sort of stumped me, quite frankly, because I do not see why you have to say that if you put judicial review on the end that there is an adversarial relationship all the way through. All you are saying is that the situation would remain exactly the same as it is right now, exactly the same—the veterans' organizations and the VA as an advocate for the veteran; and if anything is in doubt, they resolve it in favor of the veteran?

Mr. **Fischer**. Usually.

Chairman **Glenn**. And that is the preponderance of evidence that most of the time that happens. But if I am that 1 in 1,000 or 1 in 100 where it does not work, and I have been through all this and I still feel I am dealt with unfairly, that at the end of all this advocacy, I still feel I have not gotten a fair shake—and there is some very controversial areas now: Agent Orange, some things like that, you know, a whole bunch of things that are not that settled as to how you adjudicate them, even allowing the veteran to have the benefit of the doubt. I do not see what is wrong with saying at the end of this appeals process that a veteran still has a right, as a farmer does if he feels he is dealt with unfairly with Agriculture, as a businessman does if Commerce has given him a bum deal on something there and he has a right to appeal.

This would be, as I understand it—and I asked the staff to look into this. This would be the only department of Government, when we elevate this to Cabinet status, would be the only department of Government that represents any group of people that do not have judicial appeal as a final resolution of some disagreement they had. Now, it may only occur, as you say, 1 out 1,000 times or 10,000 times. And I know that the veterans organizations give good representation. I do not question that. Also, it is very hard for me to see, though, what is wrong with saying if that process does not work, and if once in a while a fellow feels he is being dealt with unfairly, then he has the right to go ahead and appeal this through the courts.

Let me add one other thing long-term wise. I have supported every bit of veterans' benefit thing because of my own associations and because I believe in it. But the benefits and things are going to come under hard pressing one of these days under budget crunching. And it may be possible that a lot more of these things that are adjudicated right now or in the VA appellate process are automatically resolved in favor of the veteran, which I favor. But it may be that that may not be possible to be quite as normal a case in the indefinite future as it has been in the past.

Now, you can say that is one reason for making it Cabinet status, too, so you make sure you get your place at the table there and get things considered. But it also means to me that, when things tighten up—which they are almost bound to do—that there are going to be a lot more people feel that they did not quite get a fair shake through all this process perhaps. And I do not see yet what is wrong with judicial review.

I know all the arguments over on the side of the Veterans Administration. They want to represent these people. That is fine. That is part of their mission. I understand that, and I think they have done a wonderful job in that respect. The VA even gives office space and so on because they do do such a fine job. And you put in your report that an estimate $21 million of free benefits or free work done for VA—I believe that was what that referred to—by the organizations that do represent people and do it free of charge, and that is great. It does not cost the Government a thing except a little office space some place to work out of. And that is good.

But what is wrong with saying that if the whole process does not work, I just do not see why we deny them the rights that farmers have, that businessmen have, that every other single department of Government would have. And when we elevate this, we are going to say: But if you come up to a hard rock point here and you feel you have been dealt with unfairly, you cannot go. That is the end of the line. Some bureaucrat in VA, perhaps down the line, made a decision that then is backed by superiors up the line. And you hope it was right, but if it was not, you would deny this person a very fundamental American right to me. That is that you can go to court for whatever you think is right, whether you are a bum on the street or whether you are John D. Rockefeller.

Mr. **Fischer**. Yes, sir. Mr. Chairman, I think you make a very good argument, and I think as long as you would insulate the administrative review process from the judicial review process by saying the claimant must exhaust that——

Chairman **Glenn**. Oh, absolutely. I would not mix them at all, and I agree they should not run in parallel.

Mr. **Fischer** [continuing]. Then it is hard to imagine how the veteran loses anything as opposed to gaining that final appeal in the very hard cases.

I think one of the things the Committee might want to look into or have someone look into for you, which we were not asked to do and did not do, is whether or not the judicial appeal process at the end of the process somehow colors the administrative process, either in terms of the formal record, the formal representation, which is then going to be subject to judicial review at the end, or in terms of the performance or behavior of the claimant who does not act as though he is going to have it finally determined in an administrative process, and he changes his approach or his tactics because he knows ultimately he is going to be in front of a court, possibly with a jury making the award.

I do not know the answer to that because I have not studied that process, whether it colors and somehow skews the administrative process if the claimant knows that at the end point of the game he is going to be in a different forum.

Chairman **Glenn**. I guess the strong feelings on this have really sort of surprised me when we got into this thing. You talk about vehemence. Boy, both sides of this thing on judicial review are very, very strong. People over in the House are saying if you are going to put judicial review on over there in the Senate, forget the whole thing, we do not want Cabinet status for anybody if you are going to put judicial review on it. And some of the organizations are indicating sort of the same thing.

On the other hand, yesterday, unsolicited—it just came in as a surprise yesterday in the mail, here comes a petition signed by 1,200 people that says—and I will not put the name to this, but it is from back home in Ohio. I did not even know the thing was coming in. Nobody called and nobody did anything. And they say unless you have judicial review, do not do anything. And there are 1,200 people who signed this thing. And when he called and told us this was coming, he also said these were so easy to get; if we want 12,000 instead of 1,200, he would be glad to get it and send it in to us.

This is a very controversial issue. Then we have people saying, well, okay, create the department. But if you are going to consider judicial review, consider that separately from the department, in separate legislation. Well, maybe we should consider that. I do not know. Maybe that is a way to do it.

Senator **Levin**. We already have considered it. Four times we passed it.

Chairman **Glenn**. That is right. And it always dies over in the House. Four times the Senate has passed judicial review, and four times it has died over in the House. I guess I really do not quite understand why it evokes that kind of emotion because to me it is just sort of a fundamental American right that if you feel you are being dealt with unfairly by your Government, thank God in this country of ours you can go to court about it, even against your Government, even against the Department of Agriculture, the Department of Commerce, every other department. Yet here we are going to say: No, we deny it.

And I grant you, this is a different system. It is tilted in favor of the veteran, the way it should be. I do not quarrel with that one bit. I do not want to change that system. But it is very difficult for me to see how on the end of that whole process you have one last gasp our here that you still feel you have been done dirt after you gave good service to your country, and your country did not respond. And the VA, somebody has made a decision that got backed up the line, and the American Legion, VFW, DAV all went to bat and it still did not work. And you still feel in that 1 out of maybe 10,000 cases that you did not get a fair shake, it is hard for me to see why you should not still have judicial review just as an American citizen.

That is a long statement more than a question, but it indicates I have a little bias on the subject, I guess, too.

Mr. **Linden**. May I express my bias on the other side from a public administration point of view, not from a disabled American veteran point of view?

Number one, as you stated earlier, you suggested we do not want to do anything to affect service. Clearly, judicial review would affect the service. None of us——

Chairman GLENN. Well, wait. Stop right there. Why do you assume it would affect service?

Mr. LINDEN. Because none of us that have any conscience at all as an individual doing their job wants to be a loser. And if I am an adjudication officer at that regional office and I think that some lawyer is going to haul me off to court in the end, then I am going to be very, very careful about the award that I make to that individual.

Senator LEVIN. Are you going to be more likely or less likely, if I can interrupt——

Mr. LINDEN. Oh, I am going to be very careful that I do not lose in court.

Senator LEVIN. Are you going to be more likely or less likely to find for the veteran?

Mr. LINDEN. Well, in this case? Less likely because——

Chairman GLENN. Wait a minute. If you know you are going to get hauled off to court eventually, you said that is what you were afraid of.

Mr. LINDEN. That is right.

Chairman GLENN. What he is saying is isn't that more likely to tilt you in favor of the veteran?

Mr. LINDEN. No. Why would it?

Chairman GLENN. How would it be the opposite?

Mr. LINDEN. Because I do not want to lose a case. There are cases——

Senator LEVIN. Who is going to take you to court? The veteran is not.

Chairman GLENN. If you are judging in favor of the veteran, you are not going to go to court.

Mr. LINDEN. Not necessarily. Not necessarily because we are talking about 99 percent of the cases now get satisfactorily resolved under the current system. So you are saying for that less than one percent that has been treated unfairly that we should have a legal process evolve.

Senator LEVIN. Who is going to haul you to court? That is my question.

Mr. LINDEN. The veteran will. You only gave him 40 percent, and he will tell you he ought to have 60 percent.

Senator LEVIN. Aren't you more likely to tilt toward him to avoid being hauled to court by him?

Mr. LINDEN. It depends on the issue. The ones that fight the problems now, as you would expect, are ones who want increases. A lot of the cases that are before the VA right now are adjudicating increases. In other words, their appeals have been—

Senator LEVIN. My question, Mr. Linden, is: Wouldn't you be more likely to find for him now if you know he may haul you to court later?

Mr. LINDEN. Not necessarily.

Senator LEVIN. It is pure logic. I do not see how you can say no.

Mr. LINDEN. Because it becomes an adversarial role.

Senator LEVIN. No, it does not. You keep the current role. You keep the current role of being an advocate.

Mr. LINDEN. You cannot.

Because if it goes up for judicial review, you have the possibility of losing. So, therefore, you are going to dot every "i" and cross every "t" to make sure that whatever the outcome of that case is—and I am talking now about increases. The majority of the denials come from increases in compensation, not from an original case on compensation, if you look at the record.

The only other point that I will make is that you all talked about austerity and budgets and you may have to change some services down the line. I would love to have $6 million or whatever the civil loss is for the loss of the use of a limb should that occur. And I do not think that this country, given the situation now, can have those kinds of awards. That is just a byproduct.

But then you start bringing out——

Senator LEVIN. Do you think the awards may be larger to veterans?

Mr. LINDEN. No. What I am saying is, the argument that I am making in this regard deals with a cost, the cost of doing that to the—because then you are going to have—and I will be right there in line with all the rest of them to get those millions of dollars that I forego because I was a soldier for this country and I went into an adversary—in other words, I went into a civil court to get similar awards that you get in a civilian court. And I do not think that is why I went to serve my country was to do that. I knew the sacrifices that I may have to make at the time that I did it.

Senator LEVIN. You think the awards may be larger if there is judicial review, or there may be a greater number of decisions in favor of veterans, and, therefore, it may cost the Government more? Isn't that what you are saying?

Mr. LINDEN. Well, yes. That is right. That is exactly right.

Senator LEVIN. That is exactly our point. You are more likely to tilt to the veteran during the administrative process because you know that at the end of the line that court process is possibly going to help the veteran whom you turned down.

Now, that may be good or bad, but there is no use arguing that it is not going to happen. Just to sit there and argue that there is not going to be a greater number of awards to veterans in the administrative process if those veterans have got a bite of the judicial apple seems to me, frankly, totally illogical. You have just demonstrated by your own acknowledgment that it is going to cost the Government more because there are going to be awards, either in larger amounts or more of them. And that is going to cost the Government more.

Therefore, you are saying that you probably would tilt in the administrative process a little more toward the veteran even than you do now. The Chairman is absolutely right. You can totally protect the current advocacy process that you have and still provide—at the end of that process, if the veteran feels there is an injustice—a possibility at least to go into court. Must he go to court? No. No one is arguing the veteran has to go to court.

Mr. LINDEN. But they will.

Senator **Levin**. If they feel there is an injustice, what is wrong with that?

Mr. **Linden**. Right. And the majority of the people will feel that if you make one award that is within the system, I would assume that the majority of the veterans that are currently drawn under their current system, they would feel compelled to also go for an increase.

Chairman **Glenn**. Let me give just one example here, if I could. Here is a case in point. We have some radiation survivors, some people from some of the early tests. They claim that they have been denied benefits because the Government did not want to set a precedent that might spill over to workers in the commercial nuclear industry or in DOE weapons production plants all over the country, the nuclear plants. And they have been denied the benefits they feel that they should have coming to him.

Now, I do not know whether that is true or not, but it seems to be that if the Government has been holding back or they have been denying benefits to people like that, there should be a court process that literally forces the Government to take a stand one way or the other.

Now, that is just one example. We could dream up some others.

Mr. **Fischer**. Mr. Chairman, you may be sorry you did not ask the panel to address this question, but the panel is happy that you did not.

I would only add this. The only mitigating or the only countervailing point, I think, to your very valid point—that is, what could the veteran possibly lose by this? I think that is a very good question. It is hard to see how he would lose anything unless the impact of a litigious process at the end would complicate, increase the cost or slow down the process of conciliation and mediation that exists in the administrative channel now.

I do not know how anybody is going to be able to predict that. But if there are cases or examples of large claimant activity where that is the case, I think it would be worth looking into and it would be worth having somebody study before you jump into that. Because it seems to me that if, by saving the rights of the few, preserving the rights of the few, you deny or delay—and lawyers always say delay is the best form of denial—the rights of the many, then you might have a countervailing balance there. I do not know that, but it is worth looking at.

Chairman **Glenn**. I do not disagree with you at all, and the rights of the few is exactly what we are talking about.

Mr. **Fischer**. Sure.

Chairman **Glenn**. I do not want to wax philosophical, but that is what America is all about—the rights of the few. And if somebody feels they have been dealt with unfairly, they can do something about it. I know there are a number of veterans organizations represented in the room here today. This is not meant as any criticism at all of the wonderful work they do representing veterans. They do a tremendous job.

I think once way back my dad was a service officer in the local legion post at home that I am a member of. I am a member of most of the veterans' organizations. Now, he works as a plumber all day. I would hate to think that the people came to him for some of this when they want the study. He took this stuff very seriously and read everything he could read on it. It has been a long, long time ago now. He took all this very seriously. But I would hate to think that the representation that that veteran got coming to my dad was going to be the best he could expect anywhere up the line and that he did not have some appeal for it at the end.

Now, I know you get far beyond that these days. You have a lot of very expert people, and as these things go up through the VA appeals process, ordinarily people get excellent representation. But it has really stumped me as to why this thing evokes such emotion on both sides. It really is intense. It has been rather shocking to me how intense, as a matter of fact. I just fail to see why it is not a good idea at the end of this.

Anyway, one other comment, and let us switch gears here a little bit. We could spend all day talking about this. I just want to get back to one other thing Senator Levin said earlier. He asked why President Reagan has not put the VA in the Cabinet like Carter did, and we wrote a letter to the President after he proposed this Cabinet status for VA, asking him if this was not a good idea to go ahead and put the current VA head in Cabinet meetings. Carter had that as a standard. He considered the VA head, Max Cleland, to be a Cabinet member, and he sat in automatically on all Cabinet meetings.

I do not believe we have had an answer back to our letter yet. I talked to Mr. Turnage yesterday, and he has been invited to several recent Cabinet meetings, he said. But I do not think he is automatically included in all of them yet, which he could be if the President so chose.

We are going to have to move along shortly. Carl, do you have any other questions?

Senator LEVIN. Could I ask just one more question?

Chairman GLENN. Sure.

Senator LEVIN. You are a little bit worried in your report about the size of the Cabinet, I gather.

Mr. FISCHER. Yes, sir.

Senator LEVIN. I am wondering whether or not there are any current Cabinet positions that, applying your standard, we might demote from Cabinet status to make room for the VA. Did you look at that side of it?

Mr. FISCHER. We did not look at that side. We just did not. I mean, the panel just does not have a view on that. I would only note that we——

Senator LEVIN. It did not have a view on appeals either, but we sure got into it.

Mr. FISCHER. I think the Congress did demote the 860,000-employee Post Office Department once, and I notice also that there are three military service organizations that have more civilian employees, let alone the military, than the Veterans' Administration does. And they are not Cabinet departments—although they were once, Navy and War. But, no, we did not look at that.

Chairman GLENN. We have got some real troublemakers on this Committee.

Mr. **Fischer**. I once served in a Cabinet department, Senator Levin, that became a Cabinet department by one vote, if I remember correctly.

Senator **Levin**. Let me just add to what the Chairman said about the great work currently being done for veterans by the current process. We would not want to undo that in any way. If there were an appeals process added, it would hopefully be at the end of the line without disrupting what is going on now, which is working, I think, very well. We have got advocates for veterans. They do a heck of a good job. I do not think anybody who is thinking about adding an appeals process would in any way want to suggest we should diminish or upset the current system which is working very well.

I agree with the chairman very much on that point.

Chairman **Glenn**. Just one question before I get to Senator Heinz here. One of the advantages of elevation to Cabinet status is attaching more prestige to certain positions, and you mentioned that; help recruit top talent and so on so we have the best administrative talent possible for veterans affairs. I have been concerned for a long time, though, about turnover in this agency. We have had four administrators in 10 years; we have had five chief medical officers in the same length of time. Would elevation help prevent that kind of turnover?

Mr. **Fischer**. Well, the record, sir, which we refer to has been provided in another study by the National Academy called "Leadership in Jeopardy," which was published in November 1985. And I think it showed that as of 1985, something like 80 percent of sub-Cabinet officers were turning over in 3 years. The numbers are actually in our report, and I cannot find it.

If you look at the record of the turnover rate at the assistant secretary level and present Cabinet, you will not be encouraged to think that elevation will assure more stability. It does not seem to be the case.

I think you have to go about it perhaps in another way; that is, short of perpetuating administrations in office. That is having a process that concentrates on the professional and technical—and by that, I include management—qualifications in the search processes for those officers who show both their dedication, but also their expertise to survive in what has to be a high pressure environment and their commitment.

That goes across the board. That is a much larger problem, because I think, unfortunately, service in the public interest, present company excepted, I hope, has not had the kind of status and has not had the kind of respect and has not had the kind of support that the people of this country probably deserve.

So I think it goes beyond simple status, although I think that you have a chance—and I think the report says this—you have a chance of getting—you probably improve the chance of getting higher quality people in the jobs. And that is what it is all about. That is what you are trying to do.

Chairman **Glenn**. In other words, VA's turnover has not been better or worse than——

Mr. **Fischer**. It does not appear to be significantly worse than we are getting in Cabinet departments.

Chairman GLENN. That is too high a turnover, though.

Mr. FISCHER. Yes, sir. It is.

Chairman GLENN. That ought to be corrected.

Senator HEINZ.

Senator HEINZ. Mr. Chairman, I want to apologize for being late. I had another markup in another hearing today.

Let me just ask to have my statement in the record.

Chairman GLENN. Fine. Your statement will be included in the record.

[The opening statement of Senator Heinz follows:]

OPENING STATEMENT OF SENATOR HEINZ

Mr. Chairman, I am delighted that the committee is moving forward on legislation to elevate the Veterans' Administration. The witnesses assembled here should be able to provide a good look at some of the areas where the VA has come up short—thereby enabling us to determine where improvement can be made. I look forward to reviewing their testimony, particularly that of my friend the Senator from Wyoming, the former chairman of the Veterans' Affairs Committee.

Today's witnesses include those who are concerned that elevation of the VA, by itself, will not change the Administration of veterans programs. I refer specifically to a report by the National Academy of Public Administration which concludes that there will be few, if any, Administrative improvements in a cabinet-level veterans department. It is significant to note, however, that the report does find that the creation of appointive offices at the VA could improve management by attracting effective administrators.

This is the point I would like to emphasize. I expect that the new Secretary of Veterans' Affairs, and any under secretaries or assistant secretaries who serve under him, will be more accountable, more accessible, and more cooperative, than ever before. Congress and veterans should expect no less.

The VA should not continue along its present path. The National Academy of Public Administration and the GAO have found serious management problems at the VA. This committee should move to address those, but I would reiterate that they will not be addressed if we do not move this legislation forward.

For these reasons I support legislation to elevate the VA, and hope that this committee will move toward a markup of the measure in the near future.

Thank you, Mr. Chairman.

Chairman GLENN. Gentlemen, we are going to have to move along. I appreciate very much your willingness to testify at this length this morning. We got off on some areas we did not specifically charge you with looking into, I realize, and you were giving your personal opinion on some of the judicial review areas. The panel did not take a stand on this as such. It is very controversial, I know that. And as I have said before, I have been somewhat amazed at the feelings on both sides on this because, to me, it is rather clear that we do not want to have people that are not treated fairly and do not have an appellate process that includes something that in every other department of Government is available for whatever the advocacy is, for farmers, business, labor, whatever. And whether this should be part of the department as it is created or whether it should be separate legislation is something that the Committee will have to look into.

I have been very surprised, though, to hear people say, including what I was told just yesterday, that if that is included in this legislation you can sure expect a presidential veto. I said why, why on earth? I did not get a good answer as to why on earth. And I repeated it several times. Yet the feelings on it are that strong, and I guess I am still out in the dark somewhere as to why the feelings are that strong. So we are going to look into it much further and see where we go with it.

Thank you very much.

Mr. **Fischer**. Thank you, Mr. Chairman.

Mr. **Linden**. Thank you.

Mr. **Messner**. Thank you.

Chairman **Glenn**. Our next witness this morning, the Honorable Richard Fogel, Assistant Comptroller General, General Government Programs, General Accounting Office. Mr. Fogel, we welcome you here this morning. If you would, introduce the people you have with you. I do not have their names here with me.

TESTIMONY OF RICHARD L. FOGEL, ASSISTANT COMPTROLLER GENERAL, GENERAL GOVERNMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY DAVID BAINE, ASSOCIATE DIRECTOR, GAO, AND NORM RABKIN, GROUP DIRECTOR, GAO

Mr. **Fogel**. Thank you, Mr. Chairman. On my left is Dave Baine, who is the Associate Director in GAO who is in charge of the work we do at the Veterans' Administration. On my right is Norm Rabkin, who is a Group Director who worked on our VA programs at GAO for about 7 or 8 years. So they are the two real experts on VA in GAO.

What I would like to do is just summarize my statement.

Chairman **Glenn**. Fine. Your entire statement will be included in the record.[1]

Mr. **Fogel**. Thank you.

We are pleased to be here today to participate in this hearing. Our purpose is to discuss a basic problem at VA and how this problem might be addressed in the proposed legislation.

Our observations on VA's management are based on extensive programmatic work at VA as well as our reviews of general management activities as 12 other departments and agencies. These management reviews have highlighted common problems among the agency, including the need for stronger top management leadership, better long-range planning, better information systems, and improved financial management. While we have not yet made a general management review of the VA, our other work suggests that VA may have similar problems.

Over the past 5 years, we have issued over 90 reports dealing with VA's medical facilities and resources, hospital computerization and quality assurance systems, compensation and pension issues, and financial management systems. Overall, the problem we see is that VA's managers at the administrator's level and at the top of the major VA departments have not exercised enough oversight of the field facilities that deliver benefits and medical services to veterans. As a result, the top managers do not have reliable data about facilities' performance, do not have adequate assurance that quality services are being provided, and do not know whether services are being provided as efficiently as possible.

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[1] See p. 254.

Making VA an executive department is not necessary to correct this problem, nor will it be a panacea. But it could, however, present an opportunity to move toward a more active, involved, and accountable top management team. But our feeling is that, regardless of whether this legislation is enacted, VA's top leaders should focus greater attention on the efficiency and the quality of the benefit and medical services being provided to our veterans.

A fundamental part of any management system should be the ability to monitor and evaluate program performance. What this requires is information and measurement systems to collect good data. The availability of the data could enhance managers' performance.

VA's philosophy has been to decentralize the management of its major service delivery programs. Indeed, this is appropriate for an organization in which the bulk of its services are provided by facilities throughout the country. However, decentralization without top management monitoring and oversight has often created situations in which top managers have little awareness of and control over how and how well basic services are provided.

And if we are all concerned, as we are, and I know the Congress is, with providing good quality, efficient services to veterans, we think it is key that these top managers exercise this type of oversight.

Now, reviews we have done over the past 4 years illustrate the types of problems when top management does not pay enough attention to this type of theme. For example, in 1985, we reported that VA had not been effectively using the two systems it had to monitor whether its hospitals were using efficient patient management practices. As a result, 43 percent of the days of care provided by seven VA hospitals we reviewed were medically unnecessary.

In 1987, we reported that medical centers did not report, through the appropriate quality assurance systems, 86 percent of the more serious patient injuries.

In 1986, we reported that VA complied with minimum criteria for the supervision of surgical residents in only 34 percent of the 148 cases we reviewed. And neither central nor regional office managers held those hospitals accountable for monitoring the supervisors' performance.

In 1987, we reported that the veterans' readjustment counseling centers were not following up to assure that the veterans referred to other facilities received appropriate care.

In 1986, we reported that although the Department of Medicine and Surgery had begun long-range planning efforts, and they were pretty well designed, these efforts were not tied to the budget process nor complemented by a strategic plan for implementation.

We have also reported on VA's financial management and information systems and said that they have had problems, although they are making progress in that regard.

Another example of an area needing increased top management attention is VA's reporting under the Federal Managers' Financial Integrity Act. In 1987, the VA reported to both the Congress and the President no new material internal control weaknesses. Now, during the year covered by that report, both we and VA's inspector general brought to top management's attention in VA numerous weaknesses affecting disability recipients, the quality of services rendered to veterans, and VA's own administrative activities.

As I said earlier, we believe that many of VA's management problems can be traced to the agency's philosophy of decentralization accompanied by inadequate commitment by top managers to measure facility performance and hold managers accountable for providing efficient, high quality services. To help overcome this problem without sacrificing the benefits of a decentralized agency, we believe the deputy administrator or, in a Department of Veterans Affairs, the under secretary should be made responsible for managing the agency's operations.

We support the concept in the House-passed legislation that would place the chief benefits director and the chief medical director at high levels within the organization, and that their appointments should be subject to advice and consent of the Senate. We support this concept because we believe it would give the Senate an opportunity to more closely scrutinize the nominee's qualifications as managers.

We suggest that the Senate enhance one aspect of the House bill, however. In addition to requiring the nominees to be appointed on the basis of demonstrated ability in their professions, we also believe that they should have demonstrated managerial ability. For example, the nominee to be chief medical director should have had experience in successfully managing a large health care organization.

Finally, we believe that the elevation of VA to an executive Cabinet level department also provides an opportunity to implement a recommendation which we have made at other agencies to better focus top management attention on financial management issues. A key provision, as you well know, of the proposed Federal Financial Management Reform Act of 1987 would establish chief financial officers at the Cabinet level departments and 9 other agencies, including VA. We would support at the Department of Veterans Affairs having the assistant secretary for budget and finance to be designated as the department's chief financial officer.

That concludes the summary, Mr. Chairman. We would be pleased to respond to questions.

Chairman GLENN. Thank you, Mr. Fogel.

Do you think that we would get better people as managers if we went to Cabinet status? What has been the experience as other departments have been created? Have we been able to notice substantial improvements in the types of managers available?

Mr. FOGEL. Well, I think that is a two-level question. We would hope that when the President is making appointments to Cabinet level departments he would consider not only the policy qualifications but the managerial qualifications of the people that he is appointing. There is no doubt that it is easier; we have found that people are willing to come into departments if they are Cabinet level. But Cabinet level departments do not necessarily assure that you are getting the quality of appointees that I think we would like to see in some cases.

Chairman GLENN. Has there been a hesitancy to act on any of these reports or things you have turned up? My staff has collected, I think they said, about 200 pounds of study reports, and you have done 90 some reports out at GAO over the past several years on VA matters. Has there been a hesitancy to move on what you have recommended?

Mr. FOGEL. Well, there has not been a hesitancy on the part of the VA people at the central office here to discuss our recommendations and then move forward in changing the policy. The problem has been that VA, from the central office standpoint, usually does not follow up effectively to see how well the changes are implemented.

That is one of the fundamental problems that we see with how the agency is now being managed in a decentralized environment. So the answer is there has not been a hesitancy to cooperate and say on paper we are going to try to fix the problem. Whether those changes are actually effectively implemented at the point of delivery of the service is another issue.

Chairman GLENN. You did not say whether you think elevation is a good idea in your statement. Do you think it is a good idea or not? Or did you want to avoid that recommendation?

Mr. FOGEL. Well, we had a lot of discussion with the Comptroller General on that point. The criteria we want to look at in trying to answer that question would be whether the effectiveness and the quality and efficiency with which services are provided to the veterans is necessarily improved if you make it a Cabinet level department. And in that narrow sense—and I recognize it is very narrow—we do not necessarily see that making it a Cabinet level department will improve the quality or the efficiency of the service.

On the other hand, we recognize there are many other reasons you might want to consider elevating VA to a Cabinet level department. But our concern is that right now the management problems we see at VA need to be fixed, and they need to be fixed whether it is a Cabinet level department or it stays as an administration.

Chairman GLENN. What you said a moment ago is basically my objective of these hearings, too. I want to make certain that as we consider this we do not hurt anything, hurt what is right with the system and hurt what is helping veterans now. If there can be some benefits to moving on up, okay, fine. But I want to make sure we do not louse something up here, to put it bluntly, while we are considering this. That is the reason why we are going into so many different things here.

In your look at this, if we move to Cabinet status, would there be major legislative requirements that would undo other legislation or would have to change as a result of moving to Cabinet status? Did you have a chance to look at any of that?

Mr. FOGEL. We have looked at the House bill, and we do not see any real problems there. We think that it might be worth considering some of the statutory restrictions that NAPA pointed out that now exist if you go to Cabinet status. But we do not see those in any way as being legislative impediments to moving ahead right now.

Chairman GLENN. We are on a vote, and I am going to have to leave very shortly here. I think we are close enough to the end here that perhaps maybe one or two more questions, and then you can respond in writing to the rest of the questions here. You would not have to wait here 20 minutes while I go over to the floor to vote and come back because there would not be many questions at the end of this, anyway.

The field facilities' oversight that you mentioned, the management of that, that they have decentralized to the point where I gather you think it is too decentralized—is that correct—and that there is a big variation in how VA administers their programs, I would gather, from one part of the country to the other. Is that your conclusion?

Mr. FOGEL. Well, we do not oppose decentralization. We think you have to have a decentralized organization, given the size of VA and how the programs have to be delivered. What we are concerned about is that the top management of VA here in Washington does not get or act upon the right types of information to really know what is going on in terms of variations in the delivery of quality services and, therefore, cannot really effectively hold the people out in the field accountable, let us say even in the comparative sense, with their peers that are running similar organizations to improve quality service where it needs to be. That is the real problem we see. We are not opposed to decentralization.

Chairman GLENN. Fine. I thank you very much, gentlemen. We are going to have to end. I am going to have to run and vote. We may submit some additional questions to you. We would appreciate your early reply so we could include it in the record in its entirety.

Chairman GLENN. Thank you all very much. The Committee will stand in recess subject to the call of the Chair.

[Whereupon, at 11:47 a.m., the Committee recessed subject to the call of the Chair.]

PROPOSALS TO ELEVATE THE VETERANS' ADMINISTRATION TO CABINET-LEVEL STATUS

MONDAY, MARCH 28, 1988

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 9:38 a.m., in room 342, Dirksen Senate Office Building, Hon. John Glenn, Chairman of the Committee, presiding.

Present: Senators Glenn, Sasser, Levin, and Roth.

OPENING STATEMENT OF CHAIRMAN GLENN

Chairman GLENN. The hearing will be in order. Today we complete the Governmental Affairs Committee's review of proposals to elevate the Veterans' Administration to cabinet status. And I would let you know this morning that we expect to have a mark-up on this legislation on April 14 after we return from this next nonlegislative period.

I have stated repeatedly that if Congress is to elevate the Veterans' Administration to Cabinet status, it must ensure that the Department of Veterans' Affairs is as effective and as accountable as possible. No one should question this Committee's commitment to that goal, and veterans should expect no less.

We have one objective, and that is that when this occurs—and I don't have any doubt that it is going to occur, 392-to-17 vote in the House and 62 cosponsors in the Senate—I want to make it something that benefits veterans and isn't just a little bit of window dressing of one kind or another—it's been the main objective of these hearings. Nor should anyone question my personal commitment to reporting a bill expeditiously that will not only elevate the VA to cabinet status but that will also contain significant improvements in the Agency's management. In some of our questioning later on today we will get into some of those areas where there can very definitely be very substantial improvement.

We have an opportunity here to make VA a first-rank Department, and I believe we should do so.

Let me address three specific areas of concern. First, the secretary and top leadership of a Cabinet Department of Veterans' Affairs need the flexibility and authority to manage their agency, to manage it properly.

Second, the secretary and top leadership need to implement and enforce a comprehensive set of internal controls. In a highly decentralized system like the VA, top management must be able to know what is going on in the field. And all data flowing up from field stations must be validated, all cost information must be accurate, all reporting systems must be enforced. I would add that we know that we are into a time period where we are going to have increased pressures on the budget, and it means that even Veterans' Administration affairs are not going to have perhaps the same automatic support, bipartisan support, that we have had in the past. I am particularly concerned also about the oversight capacity within the VA itself. As it stands now, VA employs the third largest work force in Government, but the second smallest inspector general staff. All total, the agency has less than 350 people to oversee, look into, the activities of 240,000 employees.

Third, I am concerned about the management problem cited by GAO and the VA's own IG—this wasn't just from Congress, but from the VA's own inspector general—particularly for veterans who are dependent on the VA for compensation and pensions. And some of our questions a little later on today with one of our witnesses in particular will get into this area of the tremendous differences in how cases are handled by VA from one region to another—and there are very, very major differences. I think that leaves some veterans wondering whether they really have gotten the complete fair shake they thought they were supposed to have, even though VA is supposed to tilt in favor of the veteran where there is a case that is doubtful or is a grey-area type case—they are supposed to give benefit to the veteran. And that's in law. It's not just by custom—that's in law that that's the way cases will be handled.

Now, at the same time we find enormous differences, which we will bring out later, from one district to another, one region to another, as to how the cases are being handled.

It is not that the VA or its work force certainly do not care about veterans—I know they do. They are as interested in doing a good job as we are in seeing that they do a good job. Nor is it that most cases are poorly handled—they are certainly not. Rather the question is whether the agency is providing the best tools and the needed resources to achieve a consistent level of excellence—consistent level—wherever you as veterans may be around this country, do you get the same shake as somebody in a different region. And that's something we have to look into as we set up this department. We want to achieve a consistent level of excellence for all cases presented to the agency for help.

And the VA's own internal reports document management problems in many VA regional offices around the country. Indeed, at least 15 of the regional offices out of the 58 appear to be experiencing management problems of one kind or another on this decentralized system.

And when veterans ask when improvement will come, all we can say is now is wait and hope—wait for someone to find your file, hope they work the oldest cases first; they also tell them that there are no alternatives outside VA—they can't go to court or hire an attorney like any farmer, businessman, labor leader, whatever, if they have some difficulty, unless of course that attorney will accept a $10 fee. And that $10 fee is as per current law still in effect from Civil War days—from Civil War days. That's when that rule was laid down. We tell them that businessmen, farmers, labor union members, welfare recipients, Medicare patients, Social Security claimants, and criminals all have access to the courts—but not veterans. In this particular area they are left as secondclass citizens. And I don't think that's right.

But let me say this: I don't think this bill is necessarily the place to put that legislation on. Legislation to that effect is pending before another Committee that does have prime jurisdiction in that area—and I don't plan to clutter things up in this Committee by trying to take that on when another Committee is addressing that particular situation. [Applause.]

It is not that most cases are poorly handled or adjudicated—I don't mean to say that. In fact, the VA is mandated by law to tilt any disagreements in favor of the veteran. Rather it is that there are too many cases where development is poor, where files are, have been—we have them on record as having been mishandled, where exams are poorly done, and where mistakes are not caught. The VA's timeliness statistics are falling and the modernization of the system's claims system has been delayed by personnel and resource problems.

The question is what can be done to make sure all cases are handled properly—underline "all cases are handled properly." The VA must have the ability to manage itself properly and the resources to get the job done right.

The VA must also have the internal control system to catch problems in time to fix them.

Finally, I believe that veterans may sometimes need another option—the judicial review that I mentioned, after they have exhausted all administrative options inside VA. And that is completely in keeping with our protection of individual rights to seek redress, rights which protect persons represented by every other department of government. In fact, when we make this a department—unless judicial review is put on by separate legislation—this will be the only department where the people represented do not have a right to go into court if they want to at the end of whatever the whole appeals process is.

Veterans are not to me second-class citizens, I can guarantee that, being a veteran myself. And they should not be treated in a second-class manner.

I do not believe, however, that the provision of judicial review should be in the elevation bill, as we call this bill. Judicial review is in the jurisdiction of another committee, and the two issues should be considered separately on their own merits. It does not mean, however, that I do not support judicial review for the agency. I know if I was in a bust with VA and I went up the line and I felt I wasn't dealt with fairly, I would not want my final call against the government, when I have served my country and served it honorably in war and peace and in space—I wouldn't want to see my last chance for redress on what I saw as something unfair be dependent on some bureaucrat in VA who got backed up to the hilt once the original decision had been made.

We've had some test cases in VA in the past, and we will get into some questions on this later with one of our witnesses here—but I will toss some of these out at you anyway. A 1984 study of Rating

Board decisions found what the authors called a lack of uniformity in rating the exact same disabilities. The Rating Boards were given identical cases, test cases, and asked to make a determination of the percentage of disability. And on the very same post-traumatic stress disorder case, 16 of the Rating Boards gave 10-percent disability, 19 gave 30 percent, 13 gave 50 percent, and 1 gave 70 percent. Now, that's a pretty wide swing to me, and it indicates that these things are not being handled on the same fair basis for every veteran. This country is based on the fact that every person will be dealt with fairly.

And I know I tread on toes when I stress this matter—it's not going to be part of this particular legislation—but I have thought for a long time, I have voted in the Senate for it, I think it's fair that veterans not be treated as second-class citizens. And so while it won't be part of this bill, I just want to point those differences out to show that there are wide disparities from one region to another. And I would urge the veterans organizations, of which I'm a member of almost every organization myself, to look at this thing—please look at it again, see if you don't believe that veterans are going to get a fairer shake at the end of all the VA process, if we go that route.

So I won't address this any more.

We are glad to have Senator Sasser with us this morning. Jim, before I get into our first witness this morning—I know we caught you just stepping in here, but do you wish to make a statement?

OPENING STATEMENT OF SENATOR SASSER

Senator **Sasser**. Thank you very much, Mr. Chairman. I'm pleased to be here for another hearing to consider legislation to elevate the Veterans' Administration to a cabinet level status. I'm also pleased and delighted to see our distinguished friend and colleague, a man of great courage, Senator Alan Simpson, here with us today.

The Committee has heard, as you know, Mr. Chairman, from former VA officials, House and Senate colleagues, the General Accounting Office, the National Academy of Public Administration, and other outside consultants and representatives of veterans associations. All of this testimony I think is essential to our assessment of proposals to elevate the Veterans' Administration to Cabinet status. And I want to commend our Chairman here this morning for his efforts to get all of the information out on the important issues and questions, pros and cons, surrounding this whole matter.

Mr. Chairman, I have an additional opening statement which I would ask unanimous consent be included in the record this morning.

Chairman **Glenn**. It will be included in the record.

Senator **Sasser**. And I must say, Mr. Chairman, to you and to our distinguished colleague, Senator Simpson, I may have to get up—in fact, I know I'm going to have to leave here shortly: we've got an important meeting of the Energy and Water Resources Subcommittee this morning, and I must be there to give some testimony.

Thank you.

[The prepared statement of Senator Sasser follows:]

PREPARED STATEMENT OF SENATOR SASSER

Mr. Chairman, I am pleased to be here for another hearing to consider legislation to elevate the Veterans' Administration to Cabinet level status. The committee has heard from former VA officials, House and Senate colleagues, the General Accounting Office, the National Academy of Public Administration and other outside consultants and representatives of several veterans' associations. All of this testimony is essential to our assessment of proposals to elevate the VA to Cabinet status. I commend the Chair for his efforts to get at all of the important issues and questions surrounding this matter.

Veterans deserve our continued commitment to preserving and maintaining the benefits they earned for their service to and sacrifices for this country. The sheer size and scope of the programs to administer these benefits compares favorably with current Cabinet departments. The VA is actually larger than many of them. These two factors alone—veterans' service to the country and the size of the programs to administer veterans' benefits—are two of the strongest reasons for giving Cabinet level status to the Veterans' Administration.

VA projections indicate that the VA will be providing benefits to these veterans, dependents, and survivors throughout the 21st and well into the 22d century. According to 1984 VA figures, 82 out of 100 veterans are war veterans. That means that 82 percent of these brave men and women performed military service for their country during periods of armed hostilities. As of 1984, 4 million of the Veterans' population of 28.2 million were 65 years old or older.

America has a commitment to honor with respect to her veterans. I believe that raising the Agency which has primary responsibility for setting VA policy and advising the President on VA matters is a crucial step toward insuring that our Nation's veterans get the kind of representation they deserve.

Chairman GLENN. Thank you, Senator Sasser. A member of the Veterans Affairs Committee of the Senate and the Senator from Wyoming, the Honorable Alan Simpson, our first witness this morning.

Senator Simpson, lead off with either an abridged version or a full statement, whichever you see fit. In either event the entire statement will be included in the record.

TESTIMONY OF HON. ALAN K. SIMPSON, U.S. SENATOR FROM THE STATE OF WYOMING

Senator SIMPSON. Thank you very much, Mr. Chairman. That was an excellent statement that you made—very thoughtful and very appropriate. Thank you, Senator Sasser.

Well, there are obviously not many here today roosting at the table with me, so hang on tight. I appreciate the opportunity to be here to make a statement about this proposal to elevate the VA to Cabinet level.

I feel that it is neither a necessary nor a prudent move, although I realize my voice is one of the very few in Congress that is raised in opposition. But let me get this clear, because it doesn't get clear in this crazy arena. I point out that my position and the position I've taken on this issue does not in any way indicate that I am "anti-veteran"—I've been through all that. I am myself a veteran, a lifetime member of the Veterans of Foreign Wars, a member of the American Legion, a member of Amvets. I served overseas for 2 years in Germany at the tail end of the army of occupation—I ran a little shop of horrors called an 81-millimeter mortar platoon—I never knew whether they were going up or coming down sometimes; I ran a platoon of armored personnel carriers; spent a lot of time in a sleeping bag and never had a shell fired at my head in combat. And that's the way it is for about 23 million of the 27 million veterans—there are 27 million of us and about 4 million, 3 or 4 million, who ever had a shot fired at their heads in combat. I don't bring that up to be nasty, but I tell you, the stuff that flies around this place, you have to kind of get things centered in.

So I don't take a back seat to anybody on my service to this country. And look at your stunning record, Mr. Chairman, an awesome record.

I have the utmost respect and admiration for those who fought to keep this country strong and free, and for those who stood ready to fight, and maybe wanted to go to combat and couldn't.

But this issue is not one whit about whether veterans deserve our respect and support—that's not what this is about. That's unquestionable—and they get it, they do get our respect and support. I give it to them, so do you, so does Jim Sasser.

It's about whether there is any good or compelling reason to elevate the VA to a Cabinet status post.

I've heard those who support the elevation claim it's necessary to give the VA "direct access" to the President in order to present the case for adequate funding for veterans' programs and to see that veterans' concerns are given appropriate consideration in policy matters.

Well, those kinds of argument assume that veterans are now terribly neglected and overlooked in the overall scheme somehow. And nothing could be further from the truth.

In budgetary matters the VA is well looked after by the Congress. The budget submitted by the Administration this year is $30.1 billion for veterans' programs. That's the largest VA budget ever.

In matters of policy Congress always has and always will look after veterans. Our system of veterans' benefits and compensation does far, far more than provide for those who have endured the rigors of combat. As I say, there are 27 million of us, and no more than 3 or 4 million were ever in a combat situation.

The VA assists those who served in the armed services; they provide a broad range of compensation, pension, home loan assistance, employment and education assistance, life insurance, and medical care benefits. These VA benefits are available to all veterans, all of them, who served in any honorable status, regardless of whether they were ever in combat or even injured—and hear this, Mr. Chairman, or even injured in any way even minimally related to the performance of military duty. Most veterans who benefit from VA medical care are not even receiving treatment for service-connected conditions; even those veterans who receive treatment for service-connected conditions may not be receiving treatment for anything at all having to do with their military duties. People don't hear that. That's the way it is.

And I have said—and I get a rich ration of stuff, they are going to have a ceremony on the parade ground and rip my epaulets off some dark night—but let me tell you, I knew a lot of guys in the service, and so did you, who were in Special Services and played basketball and ripped up their knee and have been service-connected disabled ever since. I know those people. And I do know people who got ripped up in the mess tents and are service-connected disabled. And that's the way that is, too.

Veterans are no more sacrosanct than lawyers—I was a lawyer, that was good training for this place—for often you can't get any lower status than a lawyer unless you're a politician. [Laughter.]

But I can tell you this, that veterans are not perfect, and to believe that everybody who is a veteran is somehow someone we should never ever question—that's just wrong, it is wrong. We don't do that with any other group in this society.

So here we are, when we see this situation of these benefits—there's no other country that does what we do: Canada, Britain, Australia, France, our allies; our former enemies, Germany—you know, none of them do this in the array we do.

Mr. Chairman, a veteran who suffers from a disease or injury which occurred or was aggravated while he or she was in the Armed Forces, whether or not that condition was even minimally related to the performance of duty, is entitled to free medical care, and, if the degree of disability is sufficient, to tax-free compensation. I don't think the people know that.

The service-connected veteran is even entitled to free medical care for conditions that are totally unrelated to service—totally.

You can be 100-percent disabled, Mr. Chairman, and yet be able to do hard physical work under the present system. If you are under the pension system, then simply by attaining the age of 65 years of age, you are considered to be 100-percent disabled. Surely there could be a better designation than that for someone who is 65, under the pension system—and that's what they receive: they are then determined to be 100-percent disabled. I would think they would bridle under that definition.

There is also a whole remarkable array of diseases, 41 of them, that are simply "presumed" to be service-connected if they arise within a year of leaving the service. These diseases, such as hardening of the arteries, ulcers, arthritis, malignant tumors, and heart disease, are all diseases that are certain to strike large numbers of people regardless of whether they have ever served in the military. Take a look at that system sometime.

Show me a combat veteran or veteran of a combat theatre and I say, "Give him or her any thing that is required." But we do more than that.

Veterans also have the very extraordinary benefit of an extraordinarily tough and powerful lobby. Believe me, when I say I have had a full share of dealing with these "professional veterans" when I chaired the Senate Committee on Veterans' Affairs—and we did good things. And I won't take a back seat to anybody on the laws that Al Cranston, as ranking member, and I, as chairman, sponsored—a remarkable array. I keep it at the ready, and I am very pleased to furnish it to anyone who might question my wish to do things for America's veterans.

But the national veterans' service organizations are very vitally and valiantly vigilant in looking after the VA budget, and they are not about to let Congress forget veterans for even 1 minute. Veterans surely, Mr. Chairman, do not need a stronger voice or a more effective advocate than they already have.

When they put out the word in the Halls of Congress about a veterans issue on the floor, you better step back into the cloak room because the velocity of those rushing in to cast an aye vote will suck all the air out of the Chamber. I know that. And I tell you one thing that is most disturbing to me, that the debate on veterans' issue is usually not participated in at all—by colleagues like Dan Inouye or Bob Dole or Lloyd Bentsen or Strom Thurmond, people who left parts of their anatomy on foreign shores. No, the debate is often conducted by a person who has never even been in the Civil Air Patrol. And I tire of that—that's tiresome to me. A person who has never even been in the military, never been in the service of his country, and doesn't even know what that is. They are always the first one up there in the well to cast the vote.

The greatest voice and advocate for veterans is simply the U.S. Congress. It has always attended to the Nation's veterans quite nicely. And I have been proud and pleased to help do that. And I have.

Another argument advanced in favor of elevating the VA—and I'm going to conclude, Mr. Chairman—is that somehow the potential pool of VA beneficiaries is so large that merely by virtue of the size of the constituency the VA should be granted Cabinet status. I don't think that's any kind of an argument. If we were to follow that reasoning, there should almost certainly be a Cabinet level department of women's affairs, and surely there should be a department of aging, without question. We are all Americans; we are not constituencies. Who's next? Youth? The disadvantaged?

The present Cabinet covers all of us, and all of them. There are no good arguments advanced for elevation. Should this Committee decide to report the measure—and I listened to your remarks carefully—I would still respectfully suggest that it might be eminently reasonable and sensible to link this measure with one that will provide real benefit, as you so aptly described, for the veterans of this Nation: the suggestion that some have advanced is that judicial review might be linked with the elevation of the VA to the cabinet. I have always supported that measure. I am a cosponsor, the original cosponsor, of the judicial review bill—I want all to hear that carefully—to permit veterans to appeal adverse VA decisions to the courts and to permit an increase in the attorney's-fee limitation, which is absolutely absurd—indeed, as you define it, almost a "second-class" status. That was one of the first bills I ever put in in this place.

The Senate has passed bills permitting judicial review of VA decisions four times—four times; and I have been the leader in that. And I have consistently cosponsored the bill. If the VA is to be elevated to the President's cabinet, it seems to me entirely appropriate to assure that veterans who present their claims to the VA and who are denied should have the right to appeal the adverse determination to a court of law. I am a deep believer in that.

Mr. Chairman, I can conceive of no rational reason—I see a lot of emotional ones—but no rational reason that the VA should be elevated, and I see many reasons why it should not. But if it is to be so, I would urge the Committee respectfully, and the Senate, to consider providing veterans with some meaningful protection in the form of judicial review. And that is not suggested as a "killer" to the cabinet status bill, not a ploy—because I don't need any further review of my credentials on that.

We do very nicely for veterans in this country, Mr. Chairman, always will. What is the gripe? What is the gripe? I guess it's simply that all good soldiers and sailors and marines do that—but it doesn't mean they always mean it. I think it's a real mistake, an overreaction to a non-problem.

And I respectfully submit those views, knowing full well what awaits me in the next monthly publication of every damned one of the magazines. [Laughter.]

Chairman GLENN. Thank you, Senator Simpson, for your views on this.

I should have mentioned in the introduction that when the Republicans held the majority in the Senate, that Senator Simpson was the chairman of the Veterans' Affairs Committee, and is still a member of that Committee now, although the leadership has changed.

Senator Simpson, thank you very much. I appreciate your being with us this morning.

Senator SIMPSON. Thank you, John.

Chairman GLENN. Our next witness this morning is Hon. Joseph Wright, Deputy Director, Office of Management and Budget.

Mr. Wright, welcome to the hearing this morning. We look forward to either an abridged version of your statement or the entire statement, whichever you see fit to present. In any event, the entire statement will be included in the record.

TESTIMONY OF JOSEPH R. WRIGHT, DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. WRIGHT. Thank you, Mr. Chairman. I would like to take my prepared statement and just submit it for the record,[1] with your permission, and summarize some of the high points.

Chairman GLENN. It will be included in its entirety in the record.

Mr. WRIGHT. Thank you. First of all, let me say the Administration supports making the Veterans' Administration a cabinet agency.

There are three topics that I'd like to discuss today. First of all, the management and the organization of the new department.

Mr. Chairman, I've got a few problems with some of the legislation that's proposed, which I think is too prescriptive and could actually limit the flexibility of the new secretary to be able to manage the department. First of all, I do not believe that Sections 3 (b) and (c) for congressional notification in the event of removal from office should be a part of the bill and I do not believe that a four-year term of office for the individuals who direct the health care and benefits program should be part of the bill.

Again, if this bill is going to improve the actual operation of the Veterans' Administration, it shouldn't be just image-building. And I agree with Senator Simpson in many ways, that if we are going to take and upgrade the Veterans' Administration, we also should make an attempt to improve the conditions under which it has to operate.

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[1] See p. 276.

Within the existing law, though, there are some very serious problems. I mention at the bottom of page 3 of my prepared testimony provisions requiring that up to eight months elapse and reports be written or made to the Veterans' Affairs Committees of both Houses before any action can be taken to reassign as few as three VA employees. Now, that just doesn't make sense, because basically this just totally ties the Administrators hands in being able to manage his agency.

On page 4 of my prepared testimony I get into limiting the Administrator's authority to contract-out services. Now, the debate normally focuses on those services that are directly medical services, like in the operating room, and that is not where the debate is at all. I believe the provisions limit the Administrator's authority to contract out activities related to medical care or incidental to medical care. That's about 200,000 employees that cannot be studied to be contracted out. For example, as some of those people are in the food service area—I don't think there is any question about the fact that we can successfully contract out food service.

So, Mr. Chairman, in current law we are putting restrictions on the Administrator, who should be focusing on quality medical care, and has to go and provide very expensive and inefficient food services—and many others.

That doesn't make a lot of sense, and that restriction should be abolished or be loosened to the point where the Administrator can concentrate more on efficiency.

There's also a prohibition on just spending more than $2 million for studies on privatization. When NAPA came in and reported, I believe, to you recently, they had on page 40 of their report a listing of the legislative constraints. I would just like to highlight a few of those constraints. No. 3 on this NAPA list is a constraint which prescribes specific committee review for 90 days of any grade-reduction plan proposed by the Administrator affecting health care personnel, professional employees, or computer specialists. I would assume that means just for one person they are going to have to come up to the Congress for 3 months.

No. 6 on the NAPA list describes a constraint which places a personal services dollar floor on appropriations, so that funds appropriated for personal services cannot be reprogrammed for other object classifications without Appropriations committee approval—no matter what the need is or no matter what the requirement is. In other words, keep all of the people employed regardless of whether or not you must instead have highly sophisticated equipment in order to serve the medical needs of the veterans. That doesn't make a lot of sense.

I go to No. 8 on the NAPA list: veterans benefits may not be used to offset payment of delinquent debts to other Federal agencies either voluntarily or involuntarily. In other words, a citizen of the United States can owe money to the Internal Revenue Service or not pay back a student loan or not pay back a housing loan or a farming loan, and you cannot take any action within the Veterans' Administration; you just keep the payments going. That doesn't make a lot of sense.

So I think, Mr. Chairman, the only reason I'm mentioning that is if we are talking about management of the Veterans' Administration, it is more than elevating it just simply to a cabinet agency. I think there are a lot of things in here that have to be cleaned up.

Now, questions have been raised about the number of presidential appointees. Just very briefly, I believe the VA has three right now—we suggested somewhere between nine and ten. I do not think that would politicize the Veterans' Administration at all. You've got substantially over 200,000 personnel in the VA—you are talking about 10 political appointees, PAS, that would not be a politicization.

Energy and Education have 16 and 25 PAS appointees respectively, much smaller budgets, fewer people—so I don't think that ten appointees is a problem.

Other management initiatives are being discussed for possible inclusion in this bill. Biennial budgeting is probably a good idea for not only the Veterans Administration but many other departments. A productivity investment fund, is also probably a good idea as is the establishment of a chief financial officer. I like all of those ideas, Mr. Chairman.

I would suggest, though, that we don't single out the Veterans' Administration, that we do put these on a government-wide basis, and we'd be more than happy to work with you.

But, again, the point is to have a bill where we try some good management tools and we leave all of the other bad ones in places doesn't make a lot of sense—it really doesn't.

Next, on the cost of establishing the new department, we don't think the cost would be that much. We go from a low of about $30,000 for immediate cost up to about a $1.4 million over the next 3 or 4 years. This is not really a cost item, Mr. Chairman.

Chairman GLENN. How closely have you looked into that, because we've had estimates all the way from $30,000 as a low up to $10 million as a high. In establishing a whole new department, even $10 million is not that huge compared to everything else in government. But you come out $1.4 million. Did you really do a study on this and is this mainly just to undo the signs and change the stationery, or what?

Mr. WRIGHT. That's all it is; that's assuming that you are not going to add any additional personnel. Let me give you an example. If you were going to leave the organization exactly the way it is now and create 10 or 11 brand new PAS positions—let's assume that each one of them would have a deputy, an administrative assistant, and three clerical support staff—that's about half a million dollars per person.

Chairman GLENN. This is not just a wild estimate, then; this is after some study of this thing—that's the point.

Mr. WRIGHT. Yes, there was some study, but making assumptions that you are not going to have a large increase in staff and positions, that all you are going to do is upgrade the ones that are already there.

Chairman GLENN. But this reflected the House 14 Presidentially appointed positions, is that correct?

Mr. WRIGHT. Again, Mr. Chairman, it wouldn't make any difference if all you are doing is upgrading the people who are in place and not increasing your staff. That's around what we estimate the cost would be. But, for every PAS that you would add above the current organization, that would be about $500,000 annually, plus any additional office space, any additional cars, whatever it may be.

Now, I concur with VA Administrator Turnage on the language amendments that I have described on pages 8 and 9 of my prepared statement. I don't need to go into those with you today, Mr. Chairman. I'd be more than happy to answer whatever questions you may have.

Chairman GLENN. Very good, thank you. Before we proceed to questions, do you have an opening statement, Mr. Roth?

OPENING STATEMENT OF SENATOR ROTH

Senator ROTH. Thank you, Mr. Chairman. I do have a statement. First of all, I want to commend you for holding these hearings on Cabinet status for the Veterans' Administration. As you know, I strongly support the creation of a Department of Veterans' Affairs. The Nation's veterans have served their country in its time of need, and we now owe a debt to their veterans and their dependents that can be repaid only through the timely and effective delivery of services and benefits we have promised to them.

Mr. Chairman, I have a full statement, but rather than take the time of the Committee, I would ask that it be included as if read.

Chairman GLENN. It will be included in its entirety.

Senator ROTH. Thank you, Mr. Chairman.

[The prepared statement of Senator Roth follows:]

PREPARED STATEMENT OF SENATOR ROTH

Mr. Chairman, I want to commend you for holding these hearings on Cabinet status for the Veterans' Administration. I strongly support the creation of a Department of Veterans Affairs. The Nation's veterans have served their country in its time of need. We now owe a debt to our veterans and their dependents that can be repaid only through the timely and effective delivery of the services and benefits we have promised to them.

Cabinet level status for the Veterans' Administration will help to realize these goals. Cabinet level status for the Veterans' Administration should result in higher visibility for the Agency and improved coordination with other national policy priorities. These developments will help the Secretary of Veterans' Affairs to foster accountability to veterans, and responsiveness to their changing needs.

The legislation now before the committee affords us a unique opportunity to create not bigger Government but better Government. The hearings on the Veterans' Department legislation held to date by the committee have highlighted management and organizational issues that, if addressed adequately, will facilitate more timely and accurate processing of veterans' benefits; improvement management in the agency; enhanced coordination with other national policies; and the efficient and cost effective use of Veterans' Administration funds.

The size and scope of the programs administered by the Veterans' Administration merit Cabinet level status. As I said at our first hearing on this legislation, I believe this train is going to leave the station. In my view we will have a new Department of Veterans' Affairs this year. I am pleased the committee has used these hearings to explore innovative ways to make certain the new department is a prototype of good organization and management.

Mr. Chairman, I am especially pleased to that one of our witnesses today is from Delaware. I would like to welcome Mr. Dwight Marshall to the committee today. Mr. Marshall is a National Service Officer with the Disabled American Veterans in Delaware. He is supervisor in the Wilmington office of the DAV. In the capacity he will be able to give us a special insight into the day to day workings of the Veterans' Administration. I look forward to Mr. Marshall's remarks and to the statements of al the witnesses appearing before the committee today.

Chairman GLENN. Thank you, Senator Roth. Mr. Wright, as I understand it, the original recommendation from OMB to the President was to oppose the elevation of VA to cabinet status, is that correct?

Mr. WRIGHT. Mr. Chairman, while I am reluctant to state exactly what our internal recommendations are—and I hope you appreciate that—with the President, you have to recall that OMB gives a careful review of most expansions and elevations. This is part of our job. We tend to be very conservative in the nature of our recommendations. And that's one of the reasons why we provide an offset in terms of the recommendations that come into the President.

So, if you don't mind, I would like to hedge that question a little bit, because that is Presidential communication.

Chairman GLENN. Well, OK, I understand that. I guess my next question, though, would be what caused you to change your mind?

Mr. WRIGHT. Well, that's very easy—it's called good career planning, Senator Glenn. [Laughter.]

We were there with VA Administrator Turnage when the President made up his mind that he thought that this would be a great tribute to America's veterans, and we were more than happy to enthusiastically support his decision.

Chairman GLENN. You commented on the organizational aspects. Now, we are not necessarily wed just to H.R. 3471 that you mentioned. I did not have time, since some of our own internal discussions here occurred just very late last week—but we want to make this as effective as possible, and we don't want to just create another bureaucratic monster over there. Let me tell you what we are just thinking about now, so you will know what our direction is here. We are not wed to this, and I don't want to get torn apart by people who might take some exception to this. But we are thinking more in terms of about eleven political appointees instead of the fourteen the House had. This fits more in the functional line of things, we believe. The current VA has three political appointees, of course, and one of the proposals before us on the Senate side here, Senator Thurmond's proposal, is just elevate VA the way it is. I don't think that would really give quite the fair shake to veterans that the veterans are expecting out of the creation of a new Cabinet Department.

So I think we feel that this eleven potential political appointees is probably the route to go in that it really does break down better along functional lines. You'd have a Secretary, four Presidentially appointed Assistant Secretaries, and then those four, plus a Presidentially appointed Deputy Secretary and General Counsel, Inspector General, Chief Medical Director, Chief Benefits Director, and the Chief Memorial Affairs Director. You put all those together, it comes out to eleven.

Now, those fit pretty much the functional lines of VA, and it also fits in with NAPA's recommendation of how they recommended this should be done along functional lines.

Now, one of the areas that's a little difficult, too—you have these Schedule C appointees. Just to indicate to everyone in the room here, I don't know whether you even know what an SES noncareer is—that's Senior Executive Service that are mostly political appointees, but once they are put over into that area they tend to become permanently locked in quite often in the appointments to which they are made, and they stay in that position. And we think that would create too much of a whole new level of political appointees that get locked in—that would be too big. And I'm afraid that if we did that, there would really be a politicization of the VA that we don't want to see, and would be to the detriment of the veterans.

We are thinking about making two out of every three of those Deputy Assistant Secretary appointments, which could be up to 15—that would be 15 added to the eleven Presidential appointments—and we would limit those to two out of every three of those appointments would have to be in the career track, not just SES people brought over and assigned. That would eliminate the possibility of over-politicization of this whole thing, as we see it.

Now, we are thinking along that line. And then in particular with regard to the Chief Medical Director. That's been one that's been a very controversial thing with VA for a long time, as to how we handle that one. And we are thinking about whether that one should be a political or a career position. We don't think it should be just—we think it should be a political appointee, because it is high. But the concern for recruiting the best-qualified person and not just making that just a Presidential favorite some place—that is such an important function within VA, that we are thinking about having written into law a search commission to be composed of representatives of medical, education, research, and veterans' organizations. The search commission would recommend in turn three names to the President for possible appointment.

Now, that one may be a little bit more controversial as to how it would work. But we think that Chief Medical Director's position is so important that it needs some special handling like that. There's been a problem with it in the past.

So we want to work with you on that.

Just in general, the way we envision this, also we would double the number of positions under the Inspector General. The VA has the third largest work force and the second smallest IG. And we would also put a Chief Financial Officer in, which we think every department of government should have, to provide leadership in strengthening the agency's financial management systems. And we would consolidate the current fragmented headquarters management team into three Assistant Secretaries, reducing the span of control from eight to four—makes it more workable. And we would provide that if the Secretary so deemed advisable, he could possibly appoint a fourth Assistant Secretary for Planning and Evaluation.

And then, as recommended by both GAO and NAPA, we make the Deputy Secretary of VA the Chief Operating Officer, eliminating the current confusion about who's in charge sometimes.

So those are just some ideas, and I don't want to be locked in that that is the direction we are going, but we've talked about this, and I think those would be major improvements and would clarify the lines of authority and the working areas, and at the same time not make it over-political in the Department.

So that's more a statement than a question. But you said you wanted to work together on this. I agree with that: I want to work together with you as closely as we possibly can in this.

Several of our witnesses in the past——

Mr. WRIGHT. Excuse me, Mr. Chairman, can I give you a quick reaction to that?

Chairman GLENN. Certainly, I'd welcome it.

Mr. WRIGHT. First of all, I don't think we would have too many problems with the number of PAS's that you are talking about. We are somewhere in the range of 9 to 10, and it primarily fits in the category of the Assistant Secretaries where you said there would be 4? We are at about two or three. Another one wouldn't be that disturbing one way or another.

I think the House bill, with a total of 14 PAS's, is a bit much.

Concerning the Schedule C's and the SES's, my understanding is the Veterans' Administration has 46 of these positions potentially available to be filled by non-career staff at the present time, 37 general SES positions and nine Schedule C's. They've never filled more than about a dozen of them with non-career appointees at any one time. So I don't think we have a real problem there. But, again, we will be happy to go ahead and work with you.

Chairman GLENN. What I'm trying to do is make sure that we set this whole thing up on a basis so that there can't be—let's say some future President is not as tuned in to veterans' concerns. We want the organization there to cope with this and to make sure that we don't have wild swings in support on or off for veterans' affairs.

And it would seem to me that doing it in this direction would keep the veterans from running into an overzealous President and/or administration that was not tuned into veterans' affairs and make a lot of political appointments over there that would be the administrators basically of carrying out his policies that would not be to the benefit of the veterans. And so we wanted to make sure this was protected. We don't mind some of them coming in—we thought about one-third of those additional Schedule C's was probably maybe about the way to go. But to let them all just be political appointees I think would be too much.

Mr. WRIGHT. Again, if my information is correct, I don't think it will have any impact on the VA one way or the other, because I don't think the VA really uses those positions.

Chairman GLENN. You may be right. We just wanted to put some protection in there.

Mr. WRIGHT. The only other thing I would say on your comment, on making the deputy the chief operating officer, and that is you have to be a little careful, Mr. Chairman—again prescribing—because you could have somebody come in as a secretary who is very strong in operations and doesn't want his or her No. 2 person to be the chief operating officer, that's all I'm saying.

Chairman GLENN. Well, OK, and I agree with that, except I think this is such a big job at VA, and a new secretary will be such an important position that if we are to have the VA operate on the basis that the Administrator or the Secretary is going to try and take care of a lot of the detail work that past Administrators have done—I don't think there is any other Cabinet Department of Government that can operate that way, and I don't think this one could either. That's the reason we were thinking about setting it up that way.

Thank you very much. I'll have some more questions in a moment after we complete our first round.

Senator Roth.

Senator ROTH. Thank you, Mr. Chairman. Joe, it's always a pleasure to see you here.

Mr. WRIGHT. Thank you, sir.

Senator ROTH. Let me ask you this question. There has been some discussion that it might be desirable for the President to go ahead and make the head of the veterans a member of the Cabinet without waiting for the legislation to be enacted.

Would you care to comment on that proposal?

Mr. WRIGHT. I think that was an option, Senator, and the President has decided to support the legislation to make the Veterans' Administration a member of the Cabinet. If he were to do so on an ad hoc basis before that, then he's got about four or five other agencies who technically could have the same call in terms of coming in on the cabinet. And then at which stage do you stop it and how large do you want the cabinet to be? It's got to be a small, intimate working group that provides advice to the President. So therefore the decision was made to hold until we go through the legislative process.

Senator ROTH. Well, I can understand that argument. But I would emphasize that that is an alternative that is available. Well, I'm hopeful that we will get the legislation enacted so that won't be necessary.

Chairman GLENN. Will you yield for 30 seconds?

Senator ROTH. Yes.

Chairman GLENN. President Carter did exactly that. Max Cleland by Executive order was part of the Cabinet, attended every Cabinet meeting. After the President came out in support of VA, Senator Levin and I wrote to the President asking him to go ahead and start doing that right now. I don't know that we've even received an answer back yet—I don't believe we have, and that was sent out last fall.

Mr. WRIGHT. You haven't received the answer yet?

Chairman GLENN. I don't believe we received an answer, and our letter went over in early December, I believe.

Mr. WRIGHT. You will receive the answer, Mr. Chairman, this week.

Chairman GLENN. All right, thank you. Now, I've talked to Mr. Turnage, who is the Administrator, and he says he's been invited to some recent meetings, but he is not included automatically. And I think it would be a good transition for him to be invited, or by Executive order, to sit on all Cabinet meetings.

I'm sorry, Senator—extend the time by the amount that I took there.

Mr. WRIGHT. That's true, Mr. Chairman, the Administrator of the Veterans' Administration does come in on selected cabinet meetings that have normally Governmentwide impact or veterans' impact.

Senator ROTH. Basically, I, too, thought it was a good transition step that would immediately make accessibility available to the Veterans' Administration. Now, I can understand that—I wouldn't favor it if I thought that would prevent the Congress from enacting it, because I think it is important that we have it written into the law so that future Administrations would comply with what Congress thinks is desirable.

Let me ask you this question, as one who is concerned about the size of government. Do you think any special provisions need to be written in to prevent, some time in the future, some unnecessary growth in this administration? We did that when we created the Department of Education. Now, that was a whole different circumstance, because in that case we were talking about a new organization; here we have an organization in place. But do we need any special provisions to keep the size of the agency under control beyond creating the special positions the Chairman mentioned?

Mr. WRIGHT. I'd have to know a little bit more, Mr. Roth, about what specifically you are talking about. The restrictions that are on the Veterans' Administration right now don't tend to be caps; they tend to be floors.

Senator ROTH. They tend to be floors.

Mr. WRIGHT. Floors. In other words, minimum personnel staffing levels. And, as I mentioned in my testimony, I recommend very strongly that if we are going to do a real job of trying to not only elevate the Veterans' Administration to cabinet status but make it a better agency that's better able to perform, let's take some of those prescriptions and restrictions off of the Administrator and allow him or her to run that agency like the others are able to do in Washington. It is very, very tough to operate the Veterans' Administration within the restrictions that are legislatively mandated at the present time. And so I think the area where you could have the greatest effect would be to take a look at those restrictions, and, if you can—and I know this gives you a problem from the standpoint of the jurisdiction—eliminate as many of the restrictions as you can. I think you could improve the operations of the department substantially.

Senator ROTH. Let me go back to the question of caps. Do you see any merit in having some kind of cap as to the size of the agency?

Mr. WRIGHT. As long as you apply some kind of flexibility to demand. I think that there would be a problem there if, for some strange reason, we should have an unusual increase in the World War II veterans that are subjected to a certain type of disease, whatever it is—I would not want to put absolute numbers on the size of the agency. But under normal circumstances, I'm always in favor of caps or limitation on government growth.

Senator ROTH. Let me ask you a more generalized question. In the private sector, many organizations have found they have been able to shrink because of modern technology, communications, and do a better job as far as the organization is concerned.

Do you see that to be a possibility in government as well? I'm not suggesting a reduction in force, but as people leave the Government—could we have a smaller work force and pay them better under the new requirements of new technology? Or how do you see the work force growing?

Mr. **Wright**. To answer your question, Mr. Roth, you definitely could have—and I think you should have in a lot of ways—because our best estimates are about two-thirds of all Federal employees process paper or information of some type. Now, that fits perfectly to the higher technology applications that are occurring in the private sector right now.

Let me give you an example of the consequences involved in requiring us to maintain personnel levels in many agencies or prohibiting us from contracting out certain functions. In parts of the Department of Interior, the Veterans' Administration and the Department of Energy, we are maintaining inefficiency just by the nature of the way we are restricting the agency heads from being able to either contract out for higher technology, or bring in the equipment rather than hire people to reach to personnel floors. As you know, it takes 2½ to 3 years to be able to bring in any kind of meaningful technology upgrades. The process that we've got right now, that sets minimum employment levels provides a disincentive for the agency heads to do anything other than maintain the status quo.

So we've got exactly the worst situation we possibly can to improve efficiency. So the answer to your question is yes, you very definitely could have a smaller work force and improve our quality, and we should be doing that.

Senator **Roth**. Well, it seems to me that in order to move the Government into the nineties and give the kind of efficient services that we want to the people that you don't need all the paper-shufflers we needed in the past. On the other hand, you need more professional types that are better trained in these new capabilities, so that to acquire them you are going to have to pay more, it seems to me, than we have had in the past.

So that as I see the orderly transformation of government, as we lose people we ought to reduce the number of paper-shufflers, at the same time recognizing that we have to have better programs to attract the kind of professional people that are going to be necessary for the future.

Would you agree with that?

Mr. **Wright**. Yes, sir. If you are providing better service, it's higher technology service, and you ought to pay more for it. I think the country would be better for it.

Senator **Roth**. And we are not doing that today, isn't that true?

Mr. **Wright**. No, what we are doing is we are maintaining a 5-million-person work force, including the Postal Service and military and we are not taking advantage of higher technology. We should.

Senator **Roth**. Thank you, Mr. Chairman.

Chairman **Glenn**. Thank you. Senator Levin.

Senator **Levin**. Thank you, Mr. Chairman. Just a couple of follow-up questions to the issue as to why not get going on this matter, why not do this by Executive order while we are working out the details of the new department here in the Congress. Your answer to that was, first, you'd get an answer to our letter, which of course we would appreciate—but, second, you indicated that other agencies have some call on Cabinet status. And I'm wondering what you meant by that.

Mr. Wright. I would say NASA, GSA, EPA, Office of Personnel Management—those are all large——

Senator Levin. What kind of call do they have?

Mr. Wright. No, I'm saying that those, along with the Veterans' Administration, are considered to be the large independent agencies.

Senator Levin. Is there any suggestion by the President that he wants them to sit in the Cabinet?

Mr. Wright. They are also invited with the Administrator of the Veterans' Administration on the selected cabinet meetings we have been talking about.

Senator Levin. Is there any suggestion by the President that he wants them to be designated a department by law?

Mr. Wright. No, sir.

Senator Levin. Then this is a different situation, because here the President has proposed, and the Congress is currently working out legislation, making the VA a department by law. So that differentiates the VA from those other entities. So I'm saying in this situation, where the President has proposed that the VA be a department, why not get this thing going and have a transition step while we are working out these details? That's the question.

Mr. Wright. It could be done, Senator—you know, there's no question about it; it's a simple invite, and all you do is add another chair to the table—it's not that big of an item. One, it does presume what the Congress is going to do, first of all; two, it is asking an independent agency to come in, albeit one that the President has already supported becoming a cabinet member—to come in as a member of the cabinet before the official approval is complete. And the VA is already invited to those Cabinet meetings that are considering issues having a Governmentwide impact or those affecting the Veterans' Administration, so I assume it was felt that nothing would be gained.

Senator Levin. Hasn't the President issued an Executive order relative to the Trade Representative being a member of the Cabinet?

Mr. Wright. I believe so, but I'd like to check on that. I don't know whether that's in legislation or Executive order.

Senator Levin. One question on Chairman Glenn's question about the functions of the deputy. Do you oppose giving the Cabinet member, the head of the department, the discretion to make his deputy the chief of operations?

Mr. Wright. Oh, no, not at all; as a matter of fact, I'd say that would be a good idea as long as——

Senator Levin. You just don't want it mandated.

Mr. Wright. Sure. I'm all in favor of elevating deputies in the Government. [Laughter.]

Senator Levin. You don't mean elevating deputies; you mean giving authority to deputies. You have no problem with the bill if it's discretionary that the head of the department can give that authority to the deputy; what you would object to is making that mandatory.

Mr. Wright. Yes, sir, and it just may not fit their particular operating style.

Senator LEVIN. My last question has to do with the report which was submitted to us by the National Academy of Public Administration on March 15. They went into the pros and cons of making the VA a Cabinet-level department.

Did you have a chance to read that report?

Mr. WRIGHT. Yes, sir, I have read most of it—not all of it.

Senator LEVIN. Do you have any comment on its findings, or could you provide that for the record for us?

Mr. WRIGHT. I'd be more than happy to, sir.

Senator LEVIN. Thank you.

Chairman GLENN. Thank you. Just one followup here. Several of our witnesses have argued the Cabinet is already too large and all we are doing is fragmenting things further with elevating VA. This fragmentation of the Cabinet really began in the 1960's. There appears to be a sense that maybe it's time for us to sort of step back a little bit and see where we are going with Cabinet-style Government over in the White House. We have not had a study on these issues in two decades, and in the meantime we have created already—before this activity on VA, we have created three new departments and a whole host of quasi-public corporations.

Do you think it's time for another Ash Council or Hoover Commission to help us sort these issues out as we enter the nineties and the year 2000?

Mr. WRIGHT. It might be, Mr. Chairman. I think the Ash Council did a truly superb job of covering a complicated area—and that's government reorganization across the board. I wish we could have gotten more of their recommendations in place.

I think, however, while the timing could be fairly appropriate, I think it would be better for the new administration to come in, take on that task after they do come in some time within the first year or two. I can see a Council which could work very closely with the Congress, particularly this Committee and its counterpart in the House. I think also this proposal shouldn't necessarily be a part of this legislation, which really deals with veterans' affairs.

Chairman GLENN. Well, one of the proposals was we make it part of this particular legislation. I haven't signed off on that one by a long shot yet; we are still discussing that one. I think maybe it should be completely separate and not encumber our organization bill here with anything else, just keep this on the straight organization across the board.

Mr. WRIGHT. I tend to agree with that, Mr. Chairman. Also, part of my hesitation is not pinning down the new President with a report that came in from the prior administration where he's going to have to go out and explain why he doesn't do something. I think it will be better for him to take the initiative himself.

Chairman GLENN. You may be right on that; we haven't come to any final conclusion on that yet. But I would tend to think that this would be a commission that would be—it wouldn't be something that would be doing their work between now and the end of this year. If we really go into this with a Hoover Commission or an Ash Council—and we will hear from Mr. Ash himself very shortly here, he's our next witness—and I agree with you, he did do a great job on that. But I would think that it would be something that would be ongoing for I don't know what, a year, 2 years. If we do the right job on this thing, it would seem to me that it would require a lot more time than just getting informed and doing something between now and the end of the year. I think that would have to result in such a slapdash job that it probably would not accomplish what we are trying to do.

Mr. WRIGHT. It is a major, major task, as Mr. Ash can mention to you. I guess again, without fully thinking it out and taking it through the White House—and I'd be more than happy to if you would wish—I would just say that this would probably be something that would be a major task of the next Administration, working along with the Congress.

Chairman GLENN. Well, I think it's something that's across the board. It would be congressional initiation; it wouldn't be necessarily whether an Administration liked it or didn't like it—I think it's up to Congress to decide how we are going to be organized, it's not necessarily up to the President. The President can make his suggestions, Congress would have to implement whatever comes out of that anyway.

Do you want to say something?

Senator ROTH. Yes, Mr. Chairman. As you know, I'm a strong believer that we ought to have a—I don't care whether we call it an Ash Committee or Hoover Commission. The Senate did enact such legislation twice. And I would just like to make it very clear that as one Senator, I feel strongly that now is the time to do that. And the reason I say that is that once you get a new administration, then we can run into the same kinds of problems we did, Mr. Chairman, seven or eight years ago where the reorganization is looked upon as a means of trying to promote that administration's program.

What we are really talking about is organization, and good organization is not either Republican or Democrat. And it seems to me that if we could get that kind of a commission structured now to help the new President, whoever that may be, that that would be a very solid step forward.

So I was pleased with your question, Mr. Chairman, and I would be happy to attach it to anything if we could get it enacted.

Chairman GLENN. Thank you.

Mr. WRIGHT. Well, Mr. Roth, the only thing I might mention there, too, and that is a subject we've talked about for 3 or 4 years——

Senator ROTH. Many times, that's right.

Mr. WRIGHT. And that is you have the ability right now within the management report that is coming out from this administration to legislate that and then attach whatever you would want to in terms of what reorganization measures you would like to see reported on and studied, because it's got a time frame that comes up with a budget cycle every single year. You might think about that.

Chairman GLENN. Thank you. Senator Levin has one more question.

Senator LEVIN. Just one more question, thank you, Mr. Chairman. It's a related question. What are the criteria that OMB applies in making their judgments in this area, or that the President applies? Are there any kind of written criteria, for instance, as to whether one entity is recommended for a Cabinet position and four others are not?

Mr. **Wright**. I think the general criterion that was tried early in the administration, Mr. Levin—I'm just saying from what I have read in many of the reports—was whether or not the agency is really needed to fulfill the role that it was first intended to fill. Now, let me give you an example. The Department of Energy, was first started up to address the energy crisis. I believe that those who were working on the planning early in this administration felt that that the Department of Energy was no longer needed in the form of a cabinet agency in its present organizational structure. Using rational judgment to reconcile the needs of the country versus the organization doesn't necessarily fit, not only with what is now in place but with the jurisdictional organization up here in the Congress. This results in very, very tough situations in terms of making any recommendations whatsoever.

And I'm not exactly sure how you get by that.

Senator **Levin**. Would you submit for the record either the OMB or White House criteria that have been used in deciding which entities to recommend for cabinet states and which not to recommend?

Mr. **Wright**. I will try to go back to the early days of the administration—I wasn't there at the time.

Senator **Levin**. Well, in the last couple of years. I mean, you are not recommending some agencies for cabinet status, but you are recommending others. It would be helpful if we could get a feel as to the criteria that are being used. Would you go back and pull out the criteria that have been discussed and adopted and submit those for the record?

Mr. **Wright**. I'd be happy to, Mr. Levin.

Senator **Levin**. Thank you.

Chairman **Glenn**. Thank you very much. Just one further comment. I'm concerned now that we not have now a whole proliferation of things—a department of the aging to represent people's Social Security needs—and we know that a fifth of our population is going to be, what, above 60 or 65 by 1995, or whatever the figure is—anyway, it's a growing segment; and a department of EPA, a department of environment, a department of this-that that has huge constituencies out there. And I don't think we want to see this action trigger off all of that.

You mentioned the four or five others waiting in the wings, and the ones that you mentioned were some of the agencies out there right now—I think some of these others I mentioned are the big constituencies—a department of youth, a lot of problems, drugs, so on. There are huge constituencies that I don't think we want to see proliferated that far.

Mr. **Wright**. Well, in part, Mr. Chairman, that's how Education was pulled out of HEW.

Chairman **Glenn**. Yes, that's right, and this Committee is the one that set that whole thing up, and we were very active in establishing that, and the Department of Energy also.

Good, thank you very much, Mr. Wright. We may have additional questions from other members of the Committee. I hope that you could respond to those so they be included as part of the Committee record.

Mr. **Wright**. I'll be happy to, Mr. Chairman, in a timely way.

Chairman **Glenn**. Thank you very much.

Our next panel, Mr. Roy Ash, already mentioned, former Chairman of the President's Advisory Council on Government Reorganization, which was known as the Ash Council, and Mr. Arthur Flemming, former Secretary of Health, Education, and Welfare in the Eisenhower administration, former Special Adviser on Aging under President Carter.

Gentlemen, we welcome both of you this morning, and would welcome either your full statement or an abridged version. In any event, the entire statement will be included in the record.

TESTIMONY OF ROY ASH, FORMER CHAIRMAN OF THE PRESIDENT'S ADVISORY COUNCIL ON GOVERNMENT REORGANIZATION; AND ARTHUR FLEMMING, FORMER SECRETARY OF HEALTH, EDUCATION, AND WELFARE, AND FORMER SPECIAL ADVISER ON AGING

Mr. **Ash**. Thank you, Mr. Chairman, I will make about a 6-minute-or-so statement.

Chairman **Glenn**. Go ahead, Mr. Ash. I share in the view already expressed by Mr. Wright on your previous work on the Ash Council, and we look forward to your statement.

Mr. **Ash**. I think between you, Mr. Chairman, and Senator Roth, you more articulately have made some of the points that I intend to make.

I also appear before this distinguished Committee as a veteran, a veteran of 4 years in World War II, and I certainly applaud the interest of the veterans that we see represented behind us in the matters before this Committee.

My own perspective reflects both the view from that of a veteran and that from inside the Government and its executive management.

The proposal before the Committee to elevate the Veterans' Administration to an executive department arises at a very timely moment. As you consider the advantages and disadvantages of the particularly change proposed, it could be equally important to use this opportunity, as you have already said, to reconsider the executive branch organization in total, a subject I will also comment upon.

As to our immediate subject, there is one advantage, in my view, of changing the status of the Veterans' Administration. That advantage is the symbolic one of getting it department-level identification. This symbolic gesture can, of course, provide political gain for those espousing and supporting it; actually there is no gain for those opposing it. And it can raise the self-perception of the external and internal constituents of the agency.

Yet after such a change were to be made, even that advantage would gradually attenuate.

Departments or agencies find their importance in what they do more than in where they are shown on an organizational chart or what they are called. As you know from your own experience, can anyone say that NASA is unimportant because it does not have an executive department status?

No significant benefit will accrue from the new department head's role at the cabinet table. You talked about that also. Anyone who has participated as a cabinet member knows that the important business of government is not done there. The cabinet serves a number of purposes, but it is not the prime forum for policy debate. And, of course, as you have discussed, the cabinet does not exist by statute; the President can ask whomever he wishes to join in his cabinet meetings.

In seeking resources the new department will not be treated any differently, for good or for bad, by the Office of Management and Budget. OMB employs the same process and the same scrutiny, the same evaluation, for agencies as it does for departments.

In short, a new Department of Veterans Affairs would have no greater ear of the President and his White House policy staff than it has now—and it's a very large one now—and no less ability to represent its veteran constituency.

So the advantages are small.

And I certainly join with those who want to use this as an opportunity to materially improve management within either the Veterans' Administration as it now stands or a new Department of Veterans' Affairs.

Alongside the advantage, the major disadvantage of creating this fourteenth department of government is just that—it is one more department. Of course it would be one less agency, too, so the sum total of executive branch entities would be the same. Yet that total, over twenty departments and major agencies, let alone lesser agencies, represents a serious managerial dilemma within the executive branch of government.

You, Mr. Chairman, have talked about span of control within the Veterans' Administration. The same form of issue exists within the executive branch in total.

The Constitution requires that the President, the President personally, take care that the laws be faithfully executed, not that the department or agency heads take care while the President does other things. The President is responsible, by the Constitution, individually.

His ability to fulfill that responsibility requires a workable structure of departments and agencies and their executives to relate to. It's just impossible for a President personally to work directly with each of over 20 major department heads and agency heads. And in recent times—in fact, one can trace it back to 50-plus years—as the number of offices reporting directly to the President has burgeoned, Presidents have had no alternative but to create large White House staffs to help oversee these diverse activities and executives to carry out his constitutional responsibilities. It is the only way Presidents can meet those singular charges.

Thus the raising of this subject today, the possibility of a 14th department, is timely in ways broader than the matter of the department itself.

The last department change was 9 years ago; the last full-scale consideration of the executive branch structure was long before that. Organization structures are not immutable. Effective performance, even survival, requires constant adaptation to the changing times and ever-unfolding needs and emphases. Organizational structure does not guarantee effective performance, but neither can performance be fully effective without workable structures, means for synthesizing diverse efforts toward unified goals, for distributing and assigning responsibility, and for assuring accountability for results, something we all keep our eyes on.

Just 17 years ago last Friday, comprehensive proposals were made to the Congress to bring up to date, then, the executive branch departmental structure. And such reviews had been undertaken every decade or two prior to that time.

In my view, it's time, just as you've said, to once again step back from any particular proposed change, such as that being evaluated at this hearing, and ask the broader question: What would be the most effective executive branch structure for these times and the times ahead?

In drawing from that latest but 17-year-old effort which, incidentally, was for naught, I can now see a better approach to the task than was taken then. As we all know, the executive branch structure does not stand alone from congressional committee structures. All must be considered together.

In 1971 the executive branch developed and submitted to the Congress its proposals for change. After very courteous but routine hearings, further consideration was dropped. An important reason for that treatment was, in my view, the inadequate attention given to its effect on the congressional structure. This time the executive and legislative branches should, in my opinion, work on the task together, considering especially the interrelationship of their two structures as each seeks to improve its effectiveness.

I would suggest that the Congress and the executive branch establish together a task effort to develop and recommend the overall executive organizational structure best suited for the times ahead, considering especially its interrelationship with congressional structures. Such an effort could, if desired, also recommend congressional structure change.

Then, also, the task for this particular time around, if there were to be one, could embrace the pressing need to improve the current budget process which has its own organizational issues, especially in the Congress.

So, in conclusion, while I see no great advantage in changing the Veterans' Administration, other than that of the symbolism involved, I do see this as an opportunity to once again address the larger question: What would be the most effective executive branch structure for these times and the times ahead? That subject deserves a good look again.

Thank you, Mr. Chairman.

Chairman GLENN. Thank you, Mr. Ash. We'll get to questions in just a moment. Mr. Arthur Flemming, former Secretary of Health, Education, and Welfare and former Special Adviser on Aging.

Mr. Flemming, welcome this morning.

Mr. FLEMMING. Mr. Chairman and Senator Roth, I certainly appreciate the opportunity you've afforded me to testify on legislation designed to grant Cabinet status to the Veterans' Administration.

As you know, Mr. Chairman, I also had the opportunity of serving as a member of both the first and second Hoover Commissions.

And during the Eisenhower administration there was a President's Advisory Committee on Government Organization. Chairman of that at the beginning was Nelson Rockefeller, and Milton Eisenhower, the President's brother, and I served as the other two members of that committee.

That committee continued throughout the 8 years of the Eisenhower Administration. When Nelson Rockefeller became Governor of New York, I became chairman and Don Price became the third member.

At one of the first meetings of President Eisenhower's Cabinet, he told us that he expected us to become involved in the discussion of all policy issues that were placed on the agenda for Cabinet meetings. We were told that in addition to participating in cabinet meetings as representatives of our respective departments, we also had the responsibility of serving as general advisers to him on policy issues that might not be of direct concern to our departments. He said, for example, that if he put on the agenda an issue in the area of foreign policy, he didn't want to hear only from the Secretary of State; he wanted all of us to participate in the discussion.

In order to facilitate the achievement of this objective, President Eisenhower, for the first time in our history, appointed a Secretary to the Cabinet, directed that staff papers be prepared by the appropriate departments for each item on the agenda, and circulated in advance of the meetings. Action minutes were also prepared following each meeting which set forth the President's conclusion on each item on the agenda and assigned followup responsibilities to the appropriate departments.

President Eisenhower's greatest contribution to the achievement of his objective, however, was the manner in which he presided over Cabinet discussions. He oftentimes became deeply involved in the discussion of an issue, but never in such a manner as to discourage participation on the part of members of the Cabinet. In fact, in a remarkable way he created a climate which encouraged the members of the cabinet to become involved in what were often vigorous debates. He was one of the best practitioners of consultative management I have seen in action—in or out of Government.

I recognize that each President must make his own decisions as to the extent he is going to use the cabinet as a collegial body in helping him to formulate policy. This is the way it should be. Based, however, on my own experiences I believe that the Nation will benefit whenever a President decides to involve the Cabinet in a manner similar to the way in which we were involved by President Eisenhower.

I believe, therefore, that one of the assumptions on which the discussion of cabinet status for the Veterans' Administration should be based is that some of our future Presidents will decide to implement the concept of consultative management by using, in addition to other approaches, the cabinet as a collegial body in a manner similar to the approach taken by President Eisenhower.

I have read with great interest the report by a panel of members from the National Academy of Public Administration entitled

"Evaluation of Proposals to Establish a Department of Veterans' Affairs." As a founding member of the Academy I am proud of the services that the members of the panel have rendered this Committee and, through you, to the Congress of the United States. The relevant issues have been identified and the arguments for and against the elevation of the Veterans' Administration to Cabinet status have been set forth in an objective manner.

The panel of the National Academy of Public Administration includes in its report the following quotation from a report on the Cabinet by the Congressional Research Service:

> In this century, the utility of the cabinet for the President has declined. As issues have become more complex and have required specialized knowledge, Presidents have found the generalist viewpoints of cabinet members progressively less useful.

President Eisenhower recognized that issues had "become more complex and require specialized knowledge." That is why he insisted on the preparation of staff papers for each item on the agenda, and that is why we were expected to read the papers in preparation for the discussion. We learned that he read them and if we hadn't read them, we could be embarrassed.

By following those procedures, President Eisenhower learned that the members of his Cabinet, functioning in their capacity as informed generalists, were able to make contributions to policy and program discussions that might have been overlooked if he relied solely on specialists. In a conversation with him at Walter Reed Hospital a few months prior to his death, he went into this subject and reaffirmed his confidence in this approach.

Therefore, I would add to the questions posed by the panel of the National Academy of Public Administration one additional question, based on my own experiences for seven years in President Eisenhower's Cabinet: Would the participation of the head of the Veterans' Administration in Cabinet meetings help the President to formulate policies and make program decisions related to broad national goals or purposes?

In answering this question I believe it is important to keep in mind the following facts relative to Veterans' Administration programs as set forth in the panel's report:

One, 3 million veterans receive disability compensation or pension benefits and 1 million widows or other survivors receive death benefits. These payments total over $14 billion annually.

Two, each year VA provides medical care for 1.5 million inpatients and for 20 million outpatient visits through direct care in 172 hospitals, 229 out-patient clinics, 117 nursing homes, and 16 domiciliaries, at a total cost of treatment of $9 billion.

Three, 7,200,000 veterans' and military persons' lives are insured by VA-administered or supervised life insurance. This is a larger aggregate coverage than all but four private insurance companies in the United States.

Four, almost half a million veterans' home loans, valued at $34.8 billion, were guaranteed by VA in 1987.

It is clear that these programs serve millions of our citizens who come from multiple professional backgrounds, occupations, and sectors of society.

It is also clear that these programs are being carried on in areas that present our Nation with some of its most challenging and complex issues for resolution. The programs have a major impact on the evolution of broad national goals or purposes in such areas as health care, housing, and aging. It is likewise clear that all of the programs are affected by and have a major impact on the overriding issues of fiscal and budgetary policy.

The head of the Veterans' Administration, if he were at the Cabinet table, would be in a position, growing out of his operating experiences, to share valuable information and insights with the President and her or his colleagues in the Cabinet as they come to grips with issues on which the Veterans' Administration is having a major impact, and he would also be in a position to receive valuable information and insights from departments that are involved in comparable programs.

Also, the magnitude and complexity of the operations of the Veterans' Administration should result in the appointment of a person to head the department with the kind of qualifications that would make it possible for him, as an informed general adviser to the President, to make significant contributions in discussions related, for example, to the Nation's budgetary and fiscal policies.

I believe, therefore, that the participation of the head of the Veterans' Administration in cabinet meetings would strengthen the advice the President would receive on policy issues and current and proposed programs in such areas as aging, health care, and housing. It would also, in my judgment, result in a strengthening of the programs in those areas that are conducted by the veterans' department and other departments.

A President might not use the same approach to obtaining advice from the members of his Cabinet on broad national goals or purposes as did President Eisenhower. There are obviously other methods that can be followed. Whatever method is followed I am convinced that the inclusion of the head of the Veterans' Administration in the cabinet would help the President to formulate policies and make program decisions related to broad national goals or purposes.

The panel of the National Academy of Public Administration in setting forth its "General Conclusion" says:

> The Panel also recognizes that placement of veterans affairs in the cabinet as a department could facilitate the more uniform achievement of broad, cross-cutting national policy goals such as more integrated programs of biomedical research; a national AIDS program, drug prevention and treatment programs; health care cost containment; equitable needs tests in areas beyond disability compensation; Governmentwide personnel and budgetary controls; and more effective and efficient management of Government resources. However, the Panel believes that there are other mechanisms now in place or available which have been, or could be, used to accomplish these purposes whether or not the VA is elevated to be a Cabinet department. Cabinet status might make the current mechanisms work more effectively.

I believe, based on my own experience as a Cabinet officer, that Cabinet status would make a significant contribution to making current and future mechanisms in the areas identified by the panel work more effectively.

Finally, Mr. Chairman, I want to express my appreciation for and my concurrence in the panel's "Public Administration Guidelines for the Structure of Cabinet Departments." I hope that the legislative language establishing the department will be consistent with these guidelines.

Thank you, Mr. Chairman.

Chairman GLENN. Thank you, Mr. Flemming. That's one of the things we asked NAPA to do was to set down criteria for our advice in the future; it wasn't to apply just to this particular case, but it was to apply here and in the future so we would be setting down the right criteria.

It's rare that we get two such experienced management experts here in big Government and private endeavors also. We appreciate the willingness of both of you to be here with us, even though you take a little different tack on this between the two of you.

Mr. Ash, you indicate that Cabinet status for VA might just be more a momentary symbolism that will soon wear off. Let me take that a step further. Do you see anything in this that might actually harm the interests of veterans? Is there any negative to this that would actually be detrimental to veterans' considerations?

Mr. ASH. I don't see any special detrimental factor at work here. I suppose, when one loads that last straw on a load of hay and it's one too many, they all suffer part of the consequence of creating a structure that would then have fourteen department heads. But I see no detrimental consequence that is specific to a proposed Department of Veterans' Affairs.

Chairman GLENN. Would both of you comment on another Ash Council or Hoover Commission as such, and in particular, Mr. Ash, you felt that a legislative commission to examine the Government's organizational structure—do you feel it should be attached to this particular piece of legislation? Or should this be a separate thing?

Mr. ASH. As you had said earlier, Mr. Chairman—maybe Senator Roth had said—I think you both agree—it should be separated from this, but clearly it will take, say, two years to do a reasonably good job, a very good job, and that 2-year time can start any time without waiting for another administration. It is a major job to reconsider the whole of the executive branch and its structure.

Chairman GLENN. I was interested in one thing you commented on, too. I don't know that your council or the Hoover Commission really got into it quite this way, in saying that the organizational aspects of the executive branch and the legislative branch, because they have to tailor together and work together—now, that's a little new wrinkle.

Mr. ASH. That's a lesson that I learned, Mr. Chairman. The Ash Commission recommendations, those that had to do with structuring the departments, when they came before the Congress, the first question we were asked by the Government Operations Committee was please describe for us what effect those changes would have on the committee structures of the Congress. And we spent more pages—not necessarily more time—but more pages in trying to figure out what effect it would have on the committee structures of the Congress, and saw that we were getting ourselves into pretty deep water when we began to suggest changes in congressional committee structure, and particularly changes of those very chairmen whose departments were going to be changed and who would have to vote one way or the other.

Chairman GLENN. There is a lot of sacred turf around here, as you are well aware, and I can see how that was treading on a little thin ice. But I absolutely agree with you: if we really are going to make government work better, I think the two have to be considered together, absolutely.

Mr. ASH. That's the lesson I learned the last time around.

Chairman GLENN. Mr. Flemming, would you comment on that? First, do we need another Hoover Commission as such, a third one, and should it include legislative and executive branches?

Mr. FLEMMING. Mr. Chairman, I think the time has come for another commission to take a look at the whole problem of organization. Personally, I would recommend a commission along the lines of the first Hoover Commission as contrasted with the second. I feel that the first Hoover Commission was much more successful, when judged by what happened to its recommendations, than the second. I think the reason for that is that the first Hoover Commission was set up as a bipartisan commission; the second Hoover Commission was not set up as a bipartisan commission.

The first Hoover Commission, of course, had members on the Commission from the Congress, from both the Senate and the House. I agree completely with Mr. Ash and with you as to the desirability of looking at organizational problems in both the executive and legislative branches simultaneously.

It would seem to me that if a commission is set up on a bipartisan basis along the lines of the first Hoover Commission, that the members of the Commission from the legislative branch might be charged with the responsibility of making recommendations relative to the legislative organizational issues. And in that way deal with some of the sensitivity that Mr. Ash indicated he and his colleagues got into and that you referred to in your comments.

But I would hope that a move would be made along this line. I agree with you, it would not be a short-time assignment; it would be an assignment that would extend certainly over a period of 18 months to 2 years.

And I think this is a good time to have legislation passed so that the new administration can get it underway.

Chairman GLENN. Well, I favor doing exactly that—both of you are in agreement on that. And one thing I would add, too—and my time is up here, and I will turn it over to Senator Roth—but one of the things that I would like to see happen out of this is that if we have such a commission, where we fell down on the commissions before, it seems to me, is obviously in the implementation of their recommendations—and I would hope that a major part of such a commission could be setting up goals, timelines, if you will, PERT charts, whatever: specifically we can do this within 6 months, this within another period of time, this within another—give us very specific goals so that we implement both at the executive and legislative levels and do the things that have to be done together to make it work. It seems to me if there was one deficiency before, it was not in giving specific enough guidelines or a timeline on where certain things could be carried out. As a result, nobody picked up the ball and ran with it, and so the whole thing, all that mammoth effort that you put in, Mr. Ash, and that was put in on the Hoover

Commissions, did not get implemented the way I had hoped it would get implemented.

Senator Roth.

Senator ROTH. Thank you, Mr. Chairman. Let me express my appreciation to both of you gentlemen. We are indeed fortunate to have your expertise here today.

Mr. Flemming, I thought you made a very eloquent case for raising the veterans to a Cabinet status, and I applaud that.

As you gentlemen have both been very helpful to me in the past in the effort to get a new Ash or Hoover Commission, I agree strongly it must be bipartisan. I guess the thing that bothers me the most is how do we build the political will to carry out the reforms that are necessary. I think, Mr. Ash, one of the problems in your recommendations was that it was very difficult to do just that.

In the Hoover Commission days there were citizen committees created back at the State level, bipartisan, to push the reform. Was that a successful part of the effort, and would you recommend that we follow through on that in what I hope will be new legislation?

Mr. FLEMMING. Senator Roth, I think the scholars that have taken a look now at both the first and second Hoover Commissions do agree that the record of the first Hoover Commission in terms of getting adoption of recommendations has turned out to be a very good record. And I think one of the principal reasons for that was the establishment of these State citizens committees for the Hoover Commission.

Let me just say this. This was former President Hoover's own idea. I recall very distinctly at a meeting of the Commission his saying: look, we put a lot of time into this, nothing's going to happen if all we do is submit a report, and we've got to do things to get the grassroots organized to support this if we are going to get results. And he spent a lot of time in organizing these State committees at the grassroots. And they did work, they did function, and they did put pressure on both the executive and legislative branches for action.

And I think we should capture that idea and incorporate it in any new proposal.

Senator ROTH. Mr. Ash.

Mr. ASH. Nothing more to add to that.

Senator ROTH. Maybe we should require all chairmen and ranking members of the committees to resign prior to the recommendations, because——

Chairman GLENN. Let's not carry this reorganization too far. [Laughter.]

Senator ROTH. I was afraid I'd get a dissent. But seriously, I'm very concerned that much of the turf battle will be up here on the Hill as much as in the executive. And yet, to be meaningful, I think there has to be reorganization here as well.

Let me ask you this, Mr. Ash. It's my understanding that in the case of West Germany that their Federal Government structure is much the same as it was created in the days of Bismarck, that in contrast to what we have done here, where every time we have a major new problem we try to create a new agency or a new bureaucracy, they have used the practice of assigning it to some existing organization.

Is that practical?

Mr. Ash. My research hasn't gone back to Bismarck, as I know yours has—and you probably are even more expert back as far as Bismarck on this. Any parliamentary system of government has quite a different set of factors to work with in determining how it shall structure itself—and I think we are fortunate we have our system of government rather than a parliamentary one for this country, but it does limit our ability to organizationally move and change with the times and the changing needs.

To me the most effective organization is not one that moves from subject area to subject area, given new ones. The most effective organizations are ones that come into being with a mission. NASA clearly is an organization that had a mission to start with and it came in and it did it. And assigning new functions to existing departments or agencies tends, in my view, to be a less effective way of getting anything done. Organizations looking for a mission aren't anywhere nearly as effective as a mission that gives rise to an organization.

Senator Roth. That I think long term sort of complicates it, because I think that's one of the reasons we get into the muddle we are now in. But I think there is merit to your recommendation.

Let me ask one final question, a very important question, I think, because we in our efforts to create a Hoover Commission in the early years of the Reagan administration had support both on the House and Senate side. It ultimately fell in part—first of all, the Administration wanted to do it internally, and I think that was a mistake; but second we got into the question of whether the Hoover Commission, whether it should be strictly concerned about organization or should it be concerned with the programs as well, the latter being very controversial.

I think that we lost the support of some of the House leadership that was working with me when they became concerned that it might become a vehicle for so-called Reagan reforms.

So my question to both of you is: In a new Hoover Commission, should we try to keep it to organization, or to what extent do we get involved in Federal programs and substance?

Mr. Ash. Well, of course, we need to be mindful of what the substance is. That is important to the country and to the government at any time, because organizations really are there to effectively deal with the flow of substance, and it does change from time to time, and sometimes we haven't kept our organizational structures up to those changes. I am convinced we should be mindful of them, and mindful of the goals of our programs, but not attempt through organization to in turn make programmatic policy. An organization is a structure by which policy is made and carried out, and that policy flow flows into and out of an organization, and it should be able to deal with the flow of policy issues rather than be organized around and attempt within itself to achieve particular programmatic goals.

Senator Roth. Mr. Flemming.

Mr. Flemming. Senator Roth, I agree with Mr. Ash. And I think the secret to that again is to keep it bipartisan. Now, the first Hoover Commission stayed basically with organizational problems; we did not really have any difficulty in doing that. The second one, which was organized on a partisan basis, got over into the programmatic aspects of it, and that's when we got into trouble.

And I think that the reports of the second Hoover Commission were not as helpful as the reports of the first Hoover Commission for that reason.

Senator ROTH. Well, gentlemen, my time is up, but this is a matter that I think of top priority if this country is going to move into the nineties as it should. I would like to have the opportunity to discuss it with both of you further.

Thank you very much for your helpful testimony.

Chairman GLENN. Thank you very much, Senator Roth, and thank you, gentlemen, very much. We appreciate your testimony this morning. I would only make one comment. We compared a little bit with a parliamentary system here. Parliamentary systems in general have a very generalized organizational structure compared to our form of government with its very elaborate system of checks and balances, and I think they handle many more things within the party structure than we are capable of doing here. I'm not sure we could compare them, they are sort of apples and oranges here, they don't really compare that well. They have some advantages and we have advantages, too. I would not anticipate that a Hoover Commission would materially change the Constitution of the United States in how we are organized—but one part of the parliamentary system I admire very much is their election system where you get 6 weeks out and you are back in again and we don't go through this 4-year dilemma like we go through in this country. But we are not about to change that today anyway.

Thank you very much for being here this morning.

Our next panel, Dr. John Gronvall, Chief Medical Director, Veterans' Administration, accompanied by Dr. Frank Conrad, Director of Office of Quality Assurance, Veterans' Administration.

Gentlemen, welcome this morning. We would welcome your statement in an abridged or full version, whichever you see fit. In either event, the entire statement will be included in the record.

Dr. Gronvall, you have two people with you, I only have one on my list. If you would introduce the other person, please.

TESTIMONY OF JOHN GRONVALL, M.D., CHIEF MEDICAL DIRECTOR, VETERANS' ADMINISTRATION, ACCOMPANIED BY FRANK CONRAD, M.D., DIRECTOR, OFFICE OF QUALITY ASSURANCE, DEPARTMENT OF MEDICINE AND SURGERY, VETERANS' ADMINISTRATION, AND HERBERT BAGANZ, M.D., DIRECTOR, OFFICE OF MEDICAL INSPECTOR, DEPARTMENT OF MEDICINE AND SURGERY, VETERANS' ADMINISTRATION

Dr. GRONVALL. Thank you very much, Mr. Chairman. I'm pleased both to be here and to introduce my two colleagues. On my right is Dr. Frank Conrad, who heads our Office of Quality Assurance in the Department of Medicine and Surgery; on my left Dr. Herbert Baganz, who heads our Office of the Medical Inspector, also within the Department of Medicine and Surgery.

Mr. Chairman, we did submit a written statement, and I appreciate your word that it will be included in the record.[1] Let me make, then, just some brief opening comments, and then we will be pleased to answer questions.

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[1] See p. 281.

I think those of us in the Department of Medicine and Surgery very much appreciate the overriding focus of attention that you have brought both in the previous hearings and in the statements today, on quality of care and the quality of service that in our case we bring to the veteran patients that we treat in our hospital system.

The focus of attention on quality in the Department of Medicine and Surgery really had its origin at the time the modern department was formed in January of 1946. At that time the remarkable and forward-looking leadership of the department, General Bradley as Administrator and Dr. Paul Hawley and Dr. Paul Magnuson in the Department of Medicine and Surgery, established as a goal that our hospital system would provide veterans' care second to none.

Over the years, since 1946 as the department has carried out its medical programs—and I should comment that I use the term "department" to refer to Medicine and Surgery—that mission of seeking to provide quality of care has been codified through a very special statutory system, Title 38 of the U.S. Code—the cornerstone of our whole activity and effort. The Title 38 employment authority allowed us to recruit physicians, dentists and a number of other health professionals, outside the civil service system; and structured the kind of focus on quality in the department along with the ability to recruit and retain quality people.

That mission has been carried out both in the VA, and in concert with our affiliations with the leading academic medical centers in the Nation.

The concept of quality of care second to none we think is a very important concept because it takes a position that we are not just seeking a quality of care standard applicable only in the Federal Government.

Our goal in fact has been and continues to be to provide the highest possible quality of care, a quality of care that would be equivalent to that which is obtainable in the best university hospital. That is the standard we are seeking to maintain in the Veterans' Administration hospital system.

Our written statement details the high points of the formal review systems which we have in place to attempt to assure that quality of care and, more importantly, to identify problems in such a way that it allows us to take corrective action.

I have to admit, Mr. Chairman, that we do have problems in quality of care that occur throughout our hospital system. Each year there are a small number of problems, tragic problems. Fortunately, the numbers are small. But in a very large system such as we are, where we hospitalize every year over 1 million veterans and provide over 18 million outpatient visits, in spite of constant efforts to maintain a focus on quality, errors do occur. These errors, of course, have been well-documented, and in some instances they have in fact been dramatically reviewed in public, as was done some two years ago at a hearing before the House Government Operations Committee.

However, I would like to emphasize what I think is the most important point; namely, that we have created an elaborate set of quality assurance and quality review mechanisms, the whole point of which is that we ourselves should find problems in quality of care, and then take corrective action.

I'm pleased to say that every indicator we are aware of shows that the quality of care in the VA is comparable to that in the private sector, and in fact a number of measures indicate, I think with quantitative assurance, that in many ways we have fewer problems in relation to the volume of care we are giving than do comparable hospitals in the private sector. For example, our malpractice case rate is significantly below that experienced in the private sector.

Now, to close my comment, Mr. Chairman, of course the focus of this hearing has to do with changing of the status of the entire Veterans' Administration and its potential elevation to Cabinet status. We in the Department of Medicine and Surgery have attempted as best we could to assess what the impact of that might be on our quality of care, and on our ability to measure quality of care to find problems and correct them.

And to the best of our ability to assess it, it appears to us that this proposed change in the status of the Veterans' Administration will not have any material impact either on the quality of care we deliver or on our own ability to find problems and take corrective action.

And perhaps most important of all, Mr. Chairman, I would want to state my personal assurance that the commitment of the Department of Medicine and Surgery that we seek to provide veterans care second to none will continue unaltered, whether or not the Veterans' Administration becomes a Cabinet agency. That commitment to quality of care is a fundamental part of the fabric of our hospital system, and that commitment is independent of the particular organizational structure or status of the Veterans' Administration.

Mr. Chairman, again it's a pleasure to be here and we will be pleased to answer any questions that you or the Committee may have.

Chairman GLENN. Thank you, Doctor. Do either one of you have any additional comments?

Dr. BAGANZ. No comment.

Chairman GLENN. Thank you. Dr. Gronvall, you apparently feel this elevation will make little difference, if any, in your delivery of health services. The next-to-the-last paragraph in your prepared statement says,

> Because of this extensive attention already being given to our programs, I believe that the proposed elevation of the Veterans' Administration to cabinet status will not materially impact on our quality of care or quality assurance programs.

I gather you are sort of semi-ambivalent about this whole thing, as far as your particular specialty area goes, is that correct?

Dr. GRONVALL. I'm not ambivalent about the matter. It is accurate to say as best we could judge the changes that would occur, we do not see a direct impact of becoming Cabinet level—a direct impact on the quality of care that we deliver or our ability to assess the quality of care.

Chairman **GLENN**. OK, well, I gather you are in favor of the elevation, then?

Dr. **GRONVALL**. I believe that over time elevation of the VA to Cabinet status can have benefit. My own judgment is that the most particular benefit would come in largely the way that Mr. Flemming just described; namely, that the Veterans' Administration programs and expertise could be made more readily available to Cabinet deliberations when health policy issues about the entire nation are being discussed.

Chairman **GLENN**. Let me put it another way. Do you see any negatives, do you see any harm that would come in the delivery of health care to veterans from the elevation to Cabinet status?

Dr. **GRONVALL**. No, sir.

Chairman **GLENN**. With specific reference to your job, it's a very important job, not just in VA but across the government. You are one of the top two or three medical officers in government. You are the only one who is not appointed by the President.

Is there any way we can balance the need for continuity and expertise in your job with the need for a presidential appointment at such a senior level? This has been much discussed and little acted upon, of course, as you are well aware. Do you have any suggestions how we can balance this out?

Dr. **GRONVALL**. Let me make a number of comments to that, Mr. Chairman. I very much appreciate the level of concern and interest in that particular question that you communicated today in this hearing and as the matter has been explored. I feel very strongly about the responsibilities of the Chief Medical Director, and I will try to depersonalize it and make it an organizational comment. The Chief Medical Director serves ultimately for the purpose of ensuring that the quality of care given to veterans is comparable to that in other hospitals of the country. In that context a body of statutory prescription has been built up that the Chief Medical Director be a physician. There is by statute and practice a great focus on seeking a person who by medical experience, statesmanship, and leadership can make a strong contribution to that purpose. In that context the concern about having a person selected for political intent rather than medical expertise is a very appropriate focus.

I believe that the suggestions that you described earlier would have considerable merit. I can understand that, consistent with elevation of the VA to Cabinet status, it is perhaps inevitable or natural that the Chief Medical Director become a presidential nominee, subject to Senate confirmation. I have heard from people who have analyzed this potential development that it would increase in many ways the strength of the position.

But it does seem to me that all of the mechanisms that have been suggested here have merit, namely; establishment of a commission that would seek from the various constituencies served by the VA—seek professional and expert consultative advice as to appropriate candidates. That advice could be made available to the President along with comments from the Cabinet Secretary. I understand, of course, that the President would not be bound by such an intent stated in law, but I believe that the approach suggested does have considerable merit.

Chairman **Glenn**. Good, thank you very much. We are also concerned on the Committee regarding GAO's testimony. They have been rather critical of some of the operations in the VA and in your particular area in particular. Their testimony regarding your ability to know what's going on in the field, GAO believes your reporting systems need strengthening.

Do you have any comment on that?

Dr. **Gronvall**. I'd be pleased to, and I appreciate your raising the question. I have read the GAO testimony. I have looked back at and reviewed the specific audit reports that the GAO referred to having to do with the Department of Medicine and Surgery. I think the general comment that the reporting mechanism of the Department of Medicine and Surgery needs to be strengthened is a valid one. My observation is that that process has been going on for a number of years in the Department of Medicine and Surgery. A very important part of it has been a major effort to provide automated information-handling capability in every one of our hospitals. We have worked very intensively in recent years to establish a computer system throughout the VA. I think we are having real success in establishing that system, and it is in place and in operation.

It will lead to a much more uniform and extensive reporting system utilizing established criteria and definitions of the information being reported.

So I agree with the general comment. I disagree with the flavor of the GAO report; namely, that on balance there seems to be more of a problem than a success. I think, when I compare the Veterans' Administration health system with the rest of the health sector, it is remarkable to me that the extent, depth, and quality of the information available at central headquarters level far exceeds that which characterizes any other of the health systems that exist in this country. Private-sector hospital chains have vastly less and a much smaller degree of centralized control and management over their system and information about what's going on. They rely almost entirely on decentralized management in a way that's not appropriate or feasible in the Federal Government.

So if you compare the hospital system of the VA to the private sector, I think we are an example of controlled, centralized management and management accountability.

But there remain problems; I believe those are in correction. And we have dealt with every one of the recommendations in those GAO reports and are on the way to correcting deficiencies that were cited.

Chairman **Glenn**. OK, thank you, I have a couple of additional questions but my time is up on this round. I have a couple of short questions I want to wind up with later.

Senator Roth.

Senator **Roth**. Mr. Chairman, basically I have just one question. Going back to the Chairman's question about what would be the benefit of making this a Cabinet department, you mentioned that the experience and background and expertise of the Veterans would be made available to the other health agencies. With that I agree.

Would it not also be true that there would be cross-fertilization from the other direction, that the benefits of being at the same level with HHS as well as the services would provide for a better interchange of medical information?

Dr. GRONVALL. Yes, I surely agree with that, and should have included that in my comment. We have sought in our present organizational arrangement to achieve those benefits by maintaining active liaison committees with the Department of Defense, with the Assistant Secretary for Health in HHS, and we meet regularly so that our staffs do collaborate and communicate on policy and other developments in each of those services.

But I think the point is well-taken that in addition to the rest of the country having a more direct and better benefit of what's new and what has been learned in the VA, if the VA were in the cabinet we in the VA would have more direct access at the highest levels of policy deliberation to learn what was going on in other parts of the Federal Government germane to health.

Senator ROTH. We've had some experience in a couple of veterans' hospitals in Pennsylvania where there have been some difficulties you may be familiar with. I don't intend to raise them at this time except to say that they are a matter of great concern where the system apparently wasn't working. So that I just want to call to your attention, we are much interested in those cases.

Dr. GRONVALL. Senator, your comment perhaps doesn't call for an answer, but I would like to make a comment on that. I'm well aware of at least one very dramatic case that led to a tragic death that involved two of our hospitals in Pennsylvania. I have personally fully reviewed the matter and am aware of all of the details.

Unfortunately, that was one of the kind of incidents that do occur periodically—as I said, thankfully in very small numbers. I am convinced that in that particular case, in which a veteran died, we had safeguard procedures in place, and there were adequate rules and requirements. Unfortunately, there were tragic, individual human failures in that case involving a small number of people, but a number of individuals who each failed to follow established procedures, and a tragic outcome occurred.

That does happen. I don't want to sound as though I'm excusing it, because I'm not—they can't be excused. But they do occur as tragic individual failures.

When that happens, we take corrective action regarding the individuals involved, and then beyond that, seek every possible way to tighten up our procedures, our processes, and our general review mechanisms to attempt to prevent that from happening again.

But it would be unfair of me to suggest, because I think it's not achievable, that if we had, let us say, the most idealized and extensive set of procedures, policies, review mechanisms, and the greatest number of IG auditors anyone could ever conceive, that no such incident would ever occur again. Unfortunately those incidents do occur as individual human failures to follow rules and procedures.

Our goal, of course, is to reduce them to the absolute minimum, and then to always take action in the case of an individual failure, deal with both the people who failed and tighten up our procedures wherever we can—and that is always our commitment.

Senator ROTH. Well, I fully appreciate human error does occur. I will say that at least in one of the hospitals I think there is a need for some careful screening in the future to make sure that those hospitals do live up to the high medical standard that we expect to be given our veterans.

Dr. GRONVALL. Yes, and you are quite right, that our investigation of that individual incident did turn up the fact that there were some systemic problems in addition to individual people problems. We are taking steps to correct those.

Senator ROTH. I just want to make it clear that I am very concerned and will be following those matters.

Dr. GRONVALL. We very much appreciate your concern.

Senator ROTH. Thank you.

Chairman GLENN. Thank you, Senator Roth. Dr. Baganz, as Medical Inspector, how many people do you have on staff to make sure the 172 hospitals and the 194,000 employees are following proper procedures on quality reporting systems?

Dr. BAGANZ. In my personal office I have six employees.

Chairman GLENN. How many on the total staff, though, to look into all this quality reporting area?

Dr. BAGANZ. And I use the employees of the entire department to assist me in reviewing various types of incidents or investigations. Within the central office management, I would probably use about fifty of the people that are located here in Washington. And if there are needs for problems to be reviewed by site visits, I will use anyone in the department in the field to visit a facility. So that although my staff is small, I do enlarge it by relating and communicating and using other people within the 194,000 people we have in the department.

Chairman GLENN. Dr. Conrad, you are director of the Office of Quality Assurance. Same question to you: out of all these hospitals and employees, what size staff do you have to make sure that we have good quality assurance?

Dr. CONRAD. In the central office we have twenty-five people in the Office of Quality Assurance.

Chairman GLENN. And you would do what, the same thing as far as getting other information? You would use other people?

Dr. CONRAD. We don't have responsibility for making individual site visits or investigating individual instances of substandard care or problems which occur in the field. We are responsible for the programs of quality assurance and manage those programs in the field through policy and program directives.[1]

Chairman GLENN. GAO has been a little bit—more than a little bit, they've been somewhat critical when they looked at some of the reporting procedures and so on. Dr. Baganz, according to GAO your medical malpractice and patient injury system are still not generating good data—according to them. When can we expect that you will have those systems in place and operating?

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[1] See p. 338 for information subsequently furnished by the Veterans' Administration.

Dr. **Baganz**. We are still working with the IG data base, which started much of our current data base, along with the General Counsel's Office and the district counsel in the field, to report all of the information relative to claims. We are still working through some procedures that are, in part, legal to deal with confidentiality and privacy, especially before the case has been brought to a trial or administrative settlement.

Chairman **Glenn**. OK, the question was when you will have the systems in place and operating?

Dr. **Baganz**. The system is in place now; it is not fully operational primarily because of the confidentiality and privacy issues, in part due to my limitation as to staffing to enter the data into the computer. Because of the massive data base, it does require computer-assisted activity.

Chairman **Glenn**. In place, but when will it be operating, then? What's your estimate?

Dr. **Baganz**. We had planned to have it operating by this time. I cannot give you a date that I can absolutely stay with, but I had hoped that we would have the first report by October 1 of this year. Due to the fact that the employee I just brought in from the field to work on this project left to go to another part of the department on Friday, I am now back in the recruiting phase for my key person who will manage that program. So I would guess I will slip probably 4 months, and it will be probably February before I have good data coming out of that system.

Chairman **Glenn**. Well, I would hope you organize in a little better depth than that, that something that is important to 194,000 employees doesn't get held up because one person decides to change departments here. To slip four months because one person goes over to another department isn't a very good recommendation to the veterans of America that they are going to get the best operation possible.

Dr. **Baganz**. We have also attempted by using the Boston Development Center to decentralize some of that data and analysis to each of our seven regions. And they have developed a program for us to give us some additional assistance. However, that still will only be a part of the assistance for the nationwide program. And the truth is that we are still working through both procedural and privacy issues and release of information, and we also have some real time-space-people problems.

Chairman **Glenn**. Well, one of the criticisms—this is more a statement than a question—but one of the criticisms of the VA has been, of course, that it is so decentralized and puts so much authority out into the field that headquarters is not in a very good position sometimes to really know exactly what's going on out there. So that's the reason I ask these questions. I think it's important that you have enough people to put the policies into effect and make them work. If they are not—I hate to hear you say that one person gets transferred and the whole thing is going to fall in the crack for an additional 4 months. That's not very encouraging.

Dr. **Gronvall**. Mr. Chairman, if I might, what I would like to do is look into that myself and within the next week we will submit to you a memorandum for the record describing when we will complete the implementation of that system.[1]

Chairman **Glenn**. I'm given a note here by staff saying that action was promised to the VA Committee in 1984, is that correct?

Dr. **Gronvall**. I'm unaware of the basis of what's been said. When you say "action was promised," I don't know what that means.

Chairman **Glenn**. That was said in VA Committee hearings, I'm told, in 1984, so I think it's time we get the thing shaped up and not wait any longer.

Okay, thank you, gentlemen, we appreciate your being here. We go on to our next panel. I hope you would respond to any additional questions members of the Committee may propose so that we can get them back in for the record.

Dr. **Gronvall**. We will be pleased to.

Chairman **Glenn**. Thank you. Our next witness, Mr. R.J. Vogel, Chief Benefits Director of the Veterans' Administration, accompanied by Mr. Raymond Avent, Deputy Chief Benefits Director for Field Operations, Veterans' Administration, and Mr. Grady Horton, Deputy Chief Benefits Director of Program Management, Veterans' Administration.

Gentlemen, welcome to the table, and we welcome your testimony. Time is getting late; we would welcome an abridged version, if possible. If not, give the total thing. In either event, the entire statement will be included in the record.

TESTIMONY OF R.J. VOGEL, CHIEF BENEFITS DIRECTOR, VETERANS' ADMINISTRATION, ACCOMPANIED BY RAYMOND AVENT, DEPUTY CHIEF BENEFITS DIRECTOR FOR FIELD OPERATIONS, AND GRADY HORTON, DEPUTY CHIEF BENEFITS DIRECTOR OF PROGRAM MANAGEMENT

Mr. **Vogel**. Thank you, Mr. Chairman. I will make a very abbreviated statement and ask that the full be entered into the record.[2]

Chairman **Glenn**. Thank you.

Mr. **Vogel**. We appreciate the opportunity to be with you this morning. A few points I'd like to make out of the general statement that already has been submitted.

First, the elevation of the Veterans' Administration to cabinet status will not affect quality assurance activities in the Department of Veterans' Benefits. Second, I wish to underscore the intense scrutiny our claims processing and quality controls receive in the Department and in other congressional forums. Third, the congressional hearings have highlighted a number of program management challenges presented by our multifaceted mission. I can assure you that as problem areas are identified, solutions are sought. For example, we realize the importance of upgrading our ADP capabilities. Also, internal studies are under way to assess our quality control procedures as well as our work measurement and timeliness criteria for claims processing.

Fourth, problems of resource allocation and resource management require management solutions. Veterans deserve, and we believe have, an efficient, just, and compassionate system of finding a resolution, although I will not pretend that it is perfect. For example, we have been falling behind somewhat in the timeliness of our claims processing.

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[1] See p. 344.
[2] See p. 285.

There are 28 standards in our timeliness measurement system. As of January 31, 1988, we were meeting an acceptable level in only five of them. One year ago it was 11 categories, and 2 years ago it was 18. The slippage is most apparent in the area of original claims. We were meeting acceptable levels in twelve of sixteen categories 2 years ago, and 7 of 16 last year; today we are doing so only in three. Consequently, we have implemented a number of initiatives to improve timeliness.

Notwithstanding the timeliness difficulties, the quality of our work has not deteriorated. Our reviews in the last year show that quality levels have improved in five of the six categories reported.

In fiscal year 1987, the VA decided more than 5 million claims and less than 1 percent of those decisions were appealed. During that same year, the Board of Veterans Appeals reversed one-tenth of 1 percent of the total claims processed. This is a very strong indicator of the quality of our work.

We use several methods to assure quality in the adjudication divisions. One of the basic methods is multiple reviews. Also we rotate personnel periodically to obtain uniform rating and authorization decisions. Further, first-line supervisors examine a random sample of cases, and each station has a quality review committee that checks those reviews.

We have other quality and consistency controls at the national level.

I would like to clarify some misconceptions about our quality control system. Critics tend to zero in on statistical quality control, SQC, reviews done in central office. The SQC program is not a method of catching all erroneous cases; it is a management tool for detecting trends, validating regional office quality reviews, and identifying areas which require additional guidelines or training.

Another general misconception is that favorable action on an appellate issue by the Board of Veterans Appeals represents the correction of an error made in the regional office. Reversals by the BVA represent not errors but different opinions on the weight of the evidence.

I want to assure this Committee that our personnel are held accountable for the quality of their work. I sincerely believe that our claims processing system ensures that benefits are awarded in an efficient, just, and compassionate manner.

Mr. Chairman, that concludes a summary statement. I would be pleased to answer your questions, as would my colleagues, Mr. Horton and Mr. Avent.

Chairman GLENN. Thank you very much. What do you think is the percentage of cases that are not properly tracked by the current system? Would it be one in a hundred, one in a thousand, one in ten?

Mr. VOGEL. I couldn't give you a number to that question without explaining a little bit about the manner in which we compute errors. You could have errors which we would classify as procedural and not material to the adjudicative outcome; you could have a number of those which would be a matter that we would want improvement on, such as literally where material is filed in claims folders, whether all annotations are made.

As to the number that result or that could result in something of substance to the claimant, the erroneous grant or the erroneous denial of benefits, our quality checks indicate a range of error detected of about a percentage or so. However, the layered system is such that virtually all those are corrected during the claims process.

Chairman GLENN. That would be about one in a hundred then?

Mr. VOGEL. Yes, Mr. Chairman, it could be one in a hundred but it wouldn't necessarily result in the erroneous grant or denial of benefits. I don't know what that number is. The number of appeals taken may be some indicator of dissatisfaction.

Chairman GLENN. There would be some question, though, one way or the other in about one in a hundred cases.

Mr. VOGEL. That is correct.

Chairman GLENN. You have a rise in the number of cases that the Board of Veterans Appeals is sending back to you for further development, is that correct?

Mr. VOGEL. Yes, that's correct.

Chairman GLENN. Is that due to an increased number of cases, or what does that mean?

Mr. VOGEL. Mr. Chairman, what you are referring to is a remand from the Board of Veterans Appeals. We saw a rise in the remand rate. The Chairman of the House Veterans' Affairs Committee wrote and communicated some concern over that statistic. And we instituted a review, or took a look at remanded cases to determine whether or not our personnel were properly developing the case, whether there was any area that we could improve our performance on, for identification of trends and providing training. That review was done in the department; it's now before the chairman of the Board of Veterans Appeals for some reaction.

My only concern about remands is whether or not in that process we in the 58 regional offices failed to do something that we could reasonably address through training or through clarification of our own procedures.

Chairman GLENN. You give a great deal of authority to people in the field, to the regional areas. Let me just bring this up. A 1984 study of rating board decisions found what the authors called a lack of uniformity in rating the exact same disability. I understand the rating boards were given identical cases and asked to make a determination of the percentage of disability. And on the very same post-traumatic stress disorder case, 16 of your rating boards gave 10-percent disability, 19 gave 30-percent disability, 13 gave 50-percent disability, and one gave 70-percent disability.

Now, that's a very wide swing. What do you tell the vet who happens to live in the State where the tougher rating board is when he goes and sees somebody else at the Legion convention, or something, and the guy says: for the same thing you got, I got 70 percent and you got 10.

Mr. VOGEL. The first thing I would say is that that is a 1984 study and this is 1988. We did in fact——

Chairman GLENN. Well, tell me what's been corrected over the last 4 years.

Mr. VOGEL. I'd be pleased to. We have given more and greater indepth training and sought to clarify the procedures that we have for national application. We have markedly increased the amount of training to ensure the proper application of principles.

The second point is, with respect to the example of the post-traumatic stress disorder cases, that was only within a few years of the recognition of that disorder as a diagnostic entity by the American Psychiatric Association, so that I think we were in fact having some difficulty properly evaluating veterans who had that disability. I think those days are behind us now.

Chairman GLENN. Let me bring this up, then. In February we asked you for some studies relating to the operation of your quality assurance systems, and one of those studies was on abuses of end-product systems. That's a crucial part of your effort to track the proper development and adjudication of claims. The VA's letter back to us says the study was missing. Do you know where it is?

Mr. HORTON. I'm sorry, which study was that, sir?

Chairman GLENN. What we asked for were the studies relating to the operation of your quality assurance systems, and one of the studies was on abuses of end-products systems, which is a crucial part of your effort to track the proper development and adjudication of claims, and the VA's letter back says the study is missing. I just ask where is it.

Mr. HORTON. Is that Mr. Yurgal's so-called study?

Chairman GLENN. Yes.

Mr. HORTON. We understand that he made an attempt to find this. Mr. Yurgal, I believe, is in the room. However, that really wasn't a report that——

Chairman GLENN. Mr. Yurgal, would you identify yourself here, if you would, please. Mr. Yurgal is back in the back. Where is the study, Mr. Yurgal?

Mr. YURGAL. The only formal documentation of that study was a brief white paper that was done back about 1984. I'm afraid that I do not have a copy of the white paper. It is possible that during one of the C&P service's moves or during the copying of our records for the NARS suit, the paper was lost. However, in response to the question, I did give a detailed analysis of the extent of the study and my findings in my answer to the Committee's recent letter to the Administrator.

Chairman GLENN. Well, the letter back to us from the VA did say that the recommendations of the study for repairing the system are still not in place—that's the important part. I understand you've been trying to move ahead with a major computer modernization effort, and so on. My understanding is you've lost about 2 years on the project and are just starting again.

Mr. YURGAL. That's correct, to the best of my knowledge.

Chairman GLENN. Well, when can we expect the new system in place that's going to better serve the veterans of this country?

Mr. VOGEL. May I respond to that, Mr. Chairman?

Chairman GLENN. You've been fiddling around since 1984 is what it looks like. We asked for a study—can't even get the study. Yes, go ahead.

Mr. **Vogel**. I was interested in the remarks earlier on made by Senator Roth about systems in place that can in fact be labor-saving and resource-saving. In the department we have a rather sophisticated system which allows us to track cases, to authorize payment, provide that notices are timely made. That system has served us very well, because in the last 8 or 9 years we have decreased our staffing level by about 44 percent with a falloff in workload not commensurate with that. The point is we have a system in place. The ADP plan now—it was in fact recast last summer; that was also in response to a criticism and suggestions of the General Accounting Office that more and better justification and cost-benefit analysis had to be built into it. We have undertaken to do that. We were thrown a little off track by recasting the total plan, but the objectives remain the same and we are proceeding now with a number of short-term initiatives to improve and continue to improve on the benefits-delivery system.

Chairman **Glenn**. Well, OK, my time is up, but Senator Roth has very kindly said I can ask another question or two here, then I will turn the hearing over to him because I have another meeting that I do have to go to.

Mr. Vogel, why has the VA refused to recognize the claims of the so-called radiation survivors when legislation says that the VA should give the veteran the benefit of the doubt in the claim for benefits?

Mr. **Vogel**. We have allowed very few claims, it is true, for disabilities thought to be caused by exposure to radiation. The manner in which those claims are adjudicated is prescribed very carefully by law. We recognize a number of disabilities as radiogenic in nature.

Chairman **Glenn**. The law, though, says you will give the veteran the benefit of the doubt.

Mr. **Vogel**. And I believe we do, Mr. Chairman.

Chairman **Glenn**. Well, I think you will find a lot of veterans who would disagree with you on that on their claim.

Mr. **Vogel**. I would think they would as well. I mean, one who is ill is reaching out to try to determine the reason for that. We receive estimates from another governmental entity as the to the radiation doses individuals received and in adjudicating those claims, apply the reasonable-doubt principle consistently throughout.

Chairman **Glenn**. Is Mr. Nicholson here? What would your estimate of the error rate in cases be? What is your position, number one?

Mr. **Nicholson**. I head a group that reviews claims, identifies errors in three categories, substantive and material and procedural and annotates any such errors found.

Chairman **Glenn**. What would your error rate be? I didn't hear it.

Mr. **Nicholson**. We do not determine any kind of error rate.

Chairman **Glenn**. Would you agree that there is one in a hundred up or down, one way or the other? Would that be a good estimate, or would the error rate be higher than that?

Mr. **Nicholson**. Taking into account major errors, procedural errors? Procedural errors basically do not affect the outcome of the claims.

Chairman GLENN. Well, if I'm the veteran being dealt with, I want to know if any errors, whether procedural or file lost or whatever it is.

Mr. NICHOLSON. I believe our review system divides the errors into certain categories.

Chairman GLENN. What would your total categorization be—add them all together. Can you give us an estimate on that?

Mr. NICHOLSON. I'm really not in a position to.

Chairman GLENN. OK, I won't pursue it here. Gentlemen, I know we have the heads of some of the veterans organizations in the room here right now, and I don't want to be obnoxious about this, but, gentlemen, I really would hope, just with what you've heard here this morning, that you would go back and review this judicial review decision that you've all made and gotten locked into. When you come up with statistics like you have here brought out—I could bring out more and more and more of them—if I'm the veteran being dealt with, I can tell you, when I get to the end of all the appeals process—and it's good and I want that to stay tilted toward the veteran, and we are not going to hook that on this unless somebody brings it up and I can't stop it here in Committee—I don't have final control over it if there's a vote of the Committee—and I want to keep that off because it's being considered in a separate committee—but I'll tell you I think it's wrong to treat veterans as a second-class group of people in this country that do not have the same kind of judicial review to the laws of their country that the farmers have, the businessmen have, the laborers have—everybody under the sun has, and this will be the only department of government, when we create it—and we are going to create it—it will be the only department of government where we say bureaucratic decisions, even in an appeals process, well-represented by veterans' organizations, still does not have the right of redress after all else has failed. We now hear an error, either up or down, either way, plus or minus, that there is an error rate there—maybe one in a hundred, something like that—I would have thought it might be lower than that, maybe—even 1 in 500—if I'm that one, I want to know I'm being dealt with fairly. I'm the one that laid my life out there, like you people did, too. And it just seems to me that that's one to go back—and I'd be glad to help and work with you and provide information on some of these areas.

But that, to me, is just part of being an American, that you've got a right to do this—and we are going to keep it off, and I know there were flaps awhile ago here and feelings of joy when I said we weren't going to try to put it on this bill—I appreciate that, that's fine, except I think I as a veteran deserve, in the final analysis, if I have a problem with my Government, whether it's agent orange or radiation, or whatever it is, I have a right—and I don't like to see that denied by law. And I would think that just with what you gentlemen have heard here this morning, the veterans organizations will be in here clamoring to get judicial review, not to stop it.

So, gentlemen, I have to go to another meeting. Senator Roth has very kindly agreed to Chair for the rest of the hearing here. Thank you all for being here this morning, and we will be back in touch with you again—look forward to working with you on this legislation.

Mr. **Vogel**. Thank you, Mr. Chairman. [Applause.]

Senator **Roth** [presiding]. I see that we have a live quorum on the Senate floor, so that means fairly promptly there will be a vote, and since I think the Chairman has asked most of the questions that I was interested in, we will excuse you. Thank you, gentlemen.

At this time I would like to call forward Dwight Marshall who just happens to come from my home State—he's from Wilmington, DE. Welcome, Dwight, to this hearing today. I appreciate your taking the time to join us. For the benefit of the others, I'd like to point out that you were a volunteer for the Navy in which you served honorably for four years. Mr. Marshall was injured in a refueling accident, and he's been a member of the Disabled American Veterans since 1975.

In 1977 he was transferred to Wilmington and was made a National Service Representative for the DAV.

I would also like to recognize your wife and young son. Would they please stand. [Applause.]

Dwight, we'll ask you to proceed. You can summarize your statement, if you choose. In any event, it will be included as if fully read. Please proceed. And I'm delighted you are here.

TESTIMONY OF DWIGHT MARSHALL, NATIONAL SERVICE OFFICER, DISABLED AMERICAN VETERANS, WILMINGTON, DE

Mr. **Marshall**. Thank you, Senator Roth. May I first say that it is indeed an honor and privilege to appear here today to discuss the issue of Cabinet level status for the Veterans' Administration. At the outset, Mr. Chairman, I thank you and the entire Committee for the support that you have given to this very important issue. I must personally thank Senator Roth for inviting me to appear before you today.

I've been asked to share with you my views on why the elevation of the VA to cabinet department is important and necessary. In order to do that, I feel the members of this Committee need to understand what my job is all about. I am a DAV National Service Officer assigned to the VA regional office in Wilmington, DE. My day-to-day responsibilities include representing veterans seeking benefits from the VA. This duty includes direct rating board representation, clarifying ratings and adjudication problems, and the very important task of cutting through red tape to expedite and release money awards, particularly in hardship cases.

I have the duty, where the individual case warrants such action, to ensure a hearing is held, and contribute factual information to the record upon which the case can be more equitably and properly decided.

I am also involved in helping veterans obtain medical services to which they are entitled, trying to resolve problems that arise as a result of medical care provided by the VA, or, more frequently, trying to explain why the VA can't provide certain medical care.

My association with the VA dates back to 1973 when I filed my original claim for benefits after discharge from active duty. My employment with the DAV dates back to 1975 when I was hired to work at the VA regional office in Cleveland, OH. I've seen both a large operation, Senator, and a small one.

My transfer to Wilmington, DE, took place in 1977.

In order for this Committee to understand why the elevation would be beneficial, I think you should have a feel for some of the problems that I see now exist in the VA regional offices across the country.

There has been a steady decline in the number of Department of Veterans' Benefits employees over the past several years, without a corresponding decline in workload.

The length of time that it takes to obtain VA compensation and pension examinations has been steadily increasing.

The VA's preoccupation, as previously mentioned, with end products is detrimental to timely, quality decision-making.

And the inadequacy and over-reliance on pattern letters and the impersonal nature of computer-generated correspondence promotes frustration and confusion among many VA claimants.

The average VA employee will probably be reluctant to verify the adverse effects that the reductions in personnel have on both timeliness and the quality of work performed, but I can tell you that it's real. The Adjudication Division at the Wilmington VA regional office has gone from 15 employees to 12 in the past 2 years. Morale there is at an all-time low. The 12 employees are now asked to do what 15 were doing. The past year saw a 2-percent cost-of-living raise for the employees involved.

The most frustrating part of this loss of staff is that there is no published end to the reductions. If you ask in my regional office when the next person retires, if he will be replaced, the FTEE problem continues to plague the regional offices.

There are cases, based on both original and reopened claims, that take a year to process. The length of time it takes to get military records, outpatient treatment records, a medical exam ordered and returned from the VA hospital and the actual typing of the rating are all contributing factors.

Recently, 40 ratings were dictated and the tapes were mailed to Philadelphia, PA, by the local rating board. The staffing cutbacks have made it necessary to have the VA in Philadelphia do the typing for the VA regional office in Wilmington, DE. The tapes were lost in the mail; the cases had to be reworked, creating another delay. And in reality that's a 3- to 4-week timespan before the veteran hears.

One request for a medical examination was sent to the VA hospital in October 1987 and was returned in February 1988. Scheduling and typing of the examination results were blamed for the delay. There are actually cases in Wilmington, Senator Roth, that have been pending on examinations for over a year.

The end-product syndrome is real, and it is not beneficial to the VA employee or the veterans the VA is morally obligated to serve. The regional offices uses the end-product syndrome to measure the productivity of their employees. Taking or getting an end product is becoming the primary goal and I am afraid that the quality of the decision seems secondary.

The pattern and computer-generated correspondence rarely gives the veteran enough real information so that he or she adequately understands what the VA is trying to say. It causes overpayments in the system, more work in trying to recoup the money, and a real hardship on the veteran involved.

The cutbacks necessary due to the cost of operating our VA hospital continue to affect the morale of VA employees and the faith the patient has in the medical care provided. The VA no longer pays beneficiary travel when a veteran comes to the hospital for care. That money is now being used to buy medicine, sutures, and other medical supplies for the veteran patient.

Senator ROTH. Mr. Marshall, I will have to temporarily suspend the hearing because I only have 7 minutes to vote. So the hearing will temporarily recess.

[Brief recess.]

Senator ROTH. I apologize, Mr. Marshall, for the interruption, but it's fairly characteristic of what happens here.

Mr. MARSHALL. When you have to go, you have to go.

Senator ROTH. Please proceed.

Mr. MARSHALL. Thank you, Senator Roth. We hear about the fact that the VA budget is more this year than the last. However, the VA hospital patient load continues to grow and the staff is being asked to do more and more with less and less.

The time for a Secretary of Veterans' Affairs is long overdue. I do not fully understand the workings of the Federal Government here in Washington, DC, but I do feel that the elevation of the VA to a cabinet level enhances management efficiency and helps alleviate conditions which place extreme pressures on VA personnel to produce more with less resources, then it will be worthwhile. It is time to place the emphasis on quality and timely VA benefit determinations. The system must serve the veterans, not the system.

Thank you, Senator Roth.

Senator ROTH. Thank you, Mr. Marshall. I think you bring a very helpful perspective from, shall we say, the firing line, out where the veterans' organization is actually functioning.

One of the points that I think you make very eloquently is that with all the modern technology, computers and otherwise, that cannot be a total replacement for people; it's too mechanical an approach and is not a substitute.

You mentioned that the amount of time to obtain veterans compensation and pension examination has increased steadily. What are the principal reasons for this?

Mr. MARSHALL. I can give you my understanding of the system at Wilmington and why at least at that center I think it's occurred.

Again, this end-product thing, you send a case up to the VA hospital for an exam; an individual may need to see an orthopod, may need to see somebody from the dermatology section on the same examination request. Instead of trying to coordinate that exam so that it can all be done on the same day, they will spread these exams out for more frequent visits to the VA hospital by the patient in question. There's a variety of reasons why that would be beneficial to the VA to do it, but what ultimately happens is the collection process and the routing of the paperwork and who gets what and putting it all back together and get it signed by a reviewing physician that it's adequate for rating purposes eats up time.

The average case, when I first transferred to Wilmington, was about 45 days. Now the average case is 90 days, and you do have cases of 6 months and a year when you get into four and five different exams and the typing of them and all of that kind of stuff, and in the meantime the vet is still waiting for the decision on what's due him from the VA.

Senator ROTH. You are saying really on average it's doubled, if I understood you correctly, from 45 to 90 days, and those are not the worst cases.

Mr. MARSHALL. Not at all. I deal with the worst cases on the phone and I very honestly get very frustrated when I do all the things that I can do, including taking it to the center director. And an apology letter is written that verifies in writing the kind of things I've mentioned to you in this letter about the typing and the accumulation of reports and the scheduling of appointments are the problem. That's very frustrating as an answer for me to give to a constituent, that that is the best the VA system can do.

Senator ROTH. Do you have any knowledge how widespread this situation is? Do you think this is peculiar to Wilmington or Philadelphia? Do you have any contact with other offices?

Mr. MARSHALL. My counterparts across the country and our national organization has verified this problem to be nationwide. Wilmington is certainly not the only center with cases that go that long between a request for exam and completion. You'd think one of the nice parts about Wilmington would be the hospital is less than a quarter of a mile from the regional office; I mean, you can hand-walk this stuff up what they call the hill and give it to somebody to be completed. In some regional office settings, the VA hospital may be 50 miles from the regional office and all of that paperwork goes through the mail, and I could understand losses and delays better in that situation. When it happens on a local level like our center, I'm sure that it's worse in the larger metropolitan areas—or just as bad.

Senator ROTH. Now, you in your testimony support, as do I, the Cabinet-level status for the Veterans' Administration. Can you be any more specific as to what you consider would be the most desirable improvements that would result from that.

Mr. MARSHALL. Again, working on a local level, I'm not totally familiar with the budgetary process and the access that a Secretary would have that the current Administrator doesn't have in the process.

But I just think that the public's awareness that that change has occurred and the fact that that person from my perspective would be more out front than the Administrator is currently; the public awareness of the VA programs; the acknowledgement that it's up there with any of the rest of the Cabinet-level positions—couldn't hurt this process. I don't see how you could not see beneficial reactions to the problems that I raised if you had a secretary instead of an administrator.

Senator ROTH. It certainly gives the veterans organization a voice at the highest level, and I agree with you that that should improve the opportunity to voice to the President and the other top members of the government the problems and needs and concerns of the veterans organization. I think this is particularly important in these days when the majority of veterans are becoming older and perhaps in need of greater assistance than in the past, so that the requirements of the veterans organization are changing. Would you agree with that?

Mr. **Marshall**. Yes, or at least increasing in requests for care.

Senator **Roth**. I want to thank you again for taking the time to join us today, and the Chairman also wants to congratulate and thank you for your testimony. Thank you very much.

The Committee is in recess.

[The Committee adjourned at 12:45 p.m., to reconvene at the call of the Chair.]

APPENDIX

Statement of Senator Frank H. Murkowski
Concerning
Legislation to Create a Cabinet-Level Veterans' Administration

Good Morning.

I am pleased to testify this morning in support of legislation to create a Department of Veterans' Affairs in the President's cabinet. I commend the leadership of the Committee on Governmental Affairs for promptly scheduling a hearing on this very important legislation. I commend the leadership of Senator Strom Thurmond for his legislation to create a Department of Veterans' Affairs and for his many years of vigorous support for its passage and enactment into law.

Cabinet status for the VA is a good idea for sound public administration.

o The size (240,000 employees) and budget (almost $28 billion) of the VA are larger than most current cabinet departments.

o VA programs and policies have a government-wide impact on national issues. For example:
  - HUD cannot consider housing policy without considering the VA Home Loan Guaranty Program.

- HHS CANNOT CONSIDER POLICY REGARDING MEDICAL TREATMENT OR TRAINING WITHOUT CONSIDERING THE VA MEDICAL-CARE SYSTEM, WHICH:
  - TREATED 1.5 MILLION INPATIENTS AND PROVIDED 20 MILLION OUTPATIENT VISITS IN FISCAL YEAR 1986.
  - PROVIDED TRAINING TO 100,000 FUTURE HEALTH-CARE PROFESSIONALS IN FISCAL YEAR 1986. 50% OF ALL PHYSICIANS NOW PRACTICING IN THE U.S. RECEIVED AT LEAST SOME OF THEIR TRAINING IN A VA FACILITY.
  - HAD A MEDICAL RESEARCH BUDGET OF $213 MILLION.
- THE DEPARTMENT OF EDUCATION CANNOT CONSIDER POLICY REGARDING POST-SECONDARY EDUCATION WITHOUT TAKING INTO ACCOUNT THE VA'S 47 YEARS OF EXPERIENCE IN PROVIDING VETERANS' EDUCATION BENEFITS.
- IN REALITY, THE VA TOUCHES THE LIVES OF ALMOST 1/3 OF THE AMERICAN POPULATION WHICH IS POTENTIALLY ELIGIBLE FOR VA BENEFITS. IN ADDITION, THE VA AFFECTS BANKERS, REALTORS, HOMEBUILDERS, EDUCATORS, FUNERAL DIRECTORS, HEALTH-CARE PROVIDERS, EMPLOYERS, AND OTHERS.

o VA STAFF HAVE EARNED THE RIGHT TO INTERACT AS EQUALS WITH THEIR COLLEAGUES IN OTHER DEPARTMENTS.
  - THROUGH THE SIZE AND SCOPE OF VA PROGRAMS.
  - BECAUSE OF THEIR YEARS OF EXPERIENCE IN ADDRESSING ISSUES AND PROBLEMS OF NATIONAL IMPORTANCE.

o WE LIVE AT A TIME WITH:
  - INTENSE INTEREST IN THE FEDERAL BUDGET.

- Intense pressure to ensure federal spending is limited and federal dollars are wisely spent.
- Intense need for greater policy coordination and sharing among all departments and agencies of government.
- A cabinet-level VA would ensure that the views of the agency that administers veterans benefits has been heard and considered when difficult budget decisions are made at the inner circles of government.

I am very disappointed by the reaction of those who view this proposal as little more than a symbolic "pay off" to a powerful interest group.

o Yes, veterans do have a lot of political power. They got it the old fashioned way . . . they earned it.

o A cabinet-level VA would not create new political clout, nor would it necessarily lead to new or expanded programs.
  - It is the Congress, not the Executive branch, that has the power to create or expand veterans' programs. That power would not be affected by VA's cabinet status.
  - The size and extent of veterans' programs reflect the Nation's acknowledgement of our debt to veterans.

o I know of no one who supports this legislation in the belief that we can satisfy our obligation to veterans with

A NO-COST SYMBOL IN THE PLACE OF SUBSTANTIVE PROGRAMS. IF ANYONE DOES SUPPORT IT ON THAT BASIS, THEY WILL BE DISAPPOINTED BECAUSE VETERANS ARE TOO SMART TO BE FOOLED BY A SYMBOL WITHOUT SUBSTANCE.

o CONVERSELY, I KNOW OF NO VETERANS WHO SUPPORT THIS PROPOSAL IN THE BELIEF THAT THE VOICE OF THE VA IN THE CABINET ROOM WILL LEAD TO A GUSHER OF NEW AND EXPANDED VETERANS' PROGRAMS.

- VETERANS KNOW ALL TOO WELL THE FISCAL CONSTRAINTS FACING THE GOVERNMENT. IN FACT, VETERANS HAVE ACCEPTED REDUCTIONS IN VETERANS' BENEFITS, SUCH AS THE IMPOSITION OF A MEANS TEST FOR VA MEDICAL CARE, AND A 1% LOAN ORIGINATION FEE ON VA HOME LOANS, WHEN THOSE REDUCTIONS WERE INCLUDED IN LEGISLATION TO REDUCE THE DEFICIT. MOST RECENTLY, THE MAJOR VETERANS' ORGANIZATIONS STATED THEIR WILLINGNESS TO FOREGO A COST-OF-LIVING-ADJUSTMENT FOR VETERANS' BENEFITS IF ALL FEDERAL PROGRAMS WERE FROZEN. EDITORIALS WHICH CRITICIZE A CABINET-LEVEL VA BECAUSE OF A BELIEF THAT IT WILL GIVE VETERANS A MECHANISM TO INCREASE BENEFITS MUST BE READ IN THE LIGHT OF THIS RECORD.
- VETERANS KNOW THAT CABINET STATUS DOES NOT NECESSARILY LEAD TO MORE MONEY. FOR EXAMPLE, THE BUDGET FOR THE DEPARTMENT OF ENERGY HAS DECLINED SINCE THAT DEPARTMENT WAS ESTABLISHED.

In short the VA should be a cabinet-level department to:

- Administer the veterans programs Congress has created.
- Coordinate, on an equal basis, those programs with other cabinet departments, and
- Provide other departments with the benefit of the VA's experience and expertise.

Mr. Chairman, I would like to comment on several specific issues regarding this legislation.

First is the creation of positions which would be filled by Presidential appointment. A Presidential appointment provides those offices with the prestige they will need to deal as equals with their colleagues in other departments. There are those who fear that Presidential nominations may lead to the appointment of individuals whose qualifications are more political than substantive. I believe the Founding Fathers anticipated that problem and provided an antidote -- the requirement for confirmation by the Senate. The Senate has a Constitutional and historic responsibility to ensure that Presidential appointees have the qualifications and temperment to meet the demands of their office. I have confidence the Senate will meet this responsibility.

In that light, I urge the Committee to report out legislation which would establish, by statute, all principal offices which would be filled by Presidential nomination and

REQUIRE SENATE CONFIRMATION OF ALL PRESIDENTIAL NOMINEES, INCLUDING THE CURRENT INCUMBENTS IN THESE POSITIONS. I TAKE THIS POSITION WITHOUT TAKING A POSITION ON THE QUALIFICATIONS OF THE INDIVIDUALS NOW HOLDING THESE OFFICES. I TAKE THIS POSITION BECAUSE I BELIEVE THE SENATE HAS AN OBLIGATION AND A RESPONSIBILITY TO PROVIDE ITS ADVICE AND CONSENT TO THE APPOINTMENT OF CABINET-LEVEL OFFICIALS. THAT RESPONSIBILITY BEGINS AT THE INSTANT A CABINET-LEVEL DEPARTMENT IS CREATED.

IN CONCLUSION, THE COMMITTEE ON GOVERNMENTAL AFFAIRS HAS A HISTORIC OPPORTUNITY TO CREATE THE FRAMEWORK FOR THE FUTURE ADMINISTRATION OF VETERANS' BENEFITS. I AM PLEASED WITH THE DELIBERATE AND THOUGHTFUL MANNER IN WHICH THE COMMITTEE IS APPROACHING THIS OPPORTUNITY. I AM CONFIDENT THE LEGISLATION YOU REPORT WILL CREATE A FIRST-CLASS FRAMEWORK FOR THE CREATION OF A FIRST-CLASS EXECUTIVE DEPARTMENT. I LOOK FORWARD TO THE OPPORTUNITY TO CONSIDER THE RESULTS OF YOUR WORK WHEN LEGISLATION IS REPORTED TO THE FLOOR OF THE SENATE.

THANK YOU FOR YOUR COURTESY IN PROVIDING ME WITH THE OPPORTUNITY TO EXPRESS MY SUPPORT FOR A DEPARTMENT OF VETERANS' AFFAIRS.

STATEMENT OF
HONORABLE JACK BROOKS
CHAIRMAN
COMMITTEE ON GOVERNMENT OPERATIONS
U.S. HOUSE OF REPRESENTATIVES
BEFORE THE
COMMITTEE ON GOVERNMENTAL AFFAIRS
U.S. SENATE
DECEMBER 9, 1987

MR. CHAIRMAN, IT IS A PLEASURE TO BE HERE THIS MORNING TO DISCUSS LEGISLATION TO ELEVATE THE VETERANS' ADMINISTRATION TO A CABINET-LEVEL DEPARTMENT.

THE VETERANS' ADMINISTRATION HAS THE MAJOR RESPONSIBILITY FOR FULFILLING THIS COUNTRY'S OBLIGATIONS TO OUR VETERANS. BY MAKING THE V.A. A DEPARTMENT AND THE HEAD OF THAT AGENCY A MEMBER OF THE CABINET, THE V.A. WILL BE BETTER ABLE TO MEET THESE OBLIGATIONS.

VETERANS FEEL THEY HAVE NOT HAD AS MUCH SUCCESS AS THEY SHOULD HAVE IN COMMUNICATING WITH THE PRESIDENT OR IN PARTICIPATING IN POLICY DISCUSSIONS THAT AFFECT THEIR INTERESTS. WITH THE ENCOURAGEMENT OF VETERANS ORGANIZATIONS ACROSS THE COUNTRY, A TOTAL OF 275 MEMBERS OF THE HOUSE COSPONSORED H.R. 3471, THE BILL I INTRODUCED, ALONG WITH CONGRESSMAN FRANK HORTON, RANKING MINORITY MEMBER OF THE HOUSE GOVERNMENT OPERATIONS COMMITTEE, AND CONGRESSMEN SONNY MONTGOMERY AND GERALD SOLOMON, THE CHAIRMAN AND RANKING MINORITY MEMBER OF THE VETERANS' AFFAIRS COMMITTEE, RESPECTIVELY. H.R. 3471 PASSED THE HOUSE ON NOVEMBER 17 BY AN OVERWHELMING VOTE OF 399 TO 17.

ELEVATING THE V.A. TO CABINET-LEVEL STATUS WILL NOT INCREASE ITS SIZE, ITS BUREAUCRACY, NOR TO ANY EXTENT, ITS BUDGET. IT WILL, HOWEVER, GIVE VETERANS A BETTER CHANCE TO PARTICIPATE IN POLICY-MAKING ACTIVITIES. WITH A VETERANS AFFAIRS SECRETARY PARTICIPATING IN CABINET MEETINGS, V.A. PROGRAMS WILL RECEIVE FULL CONSIDERATION ALONG WITH PROGRAMS AIMED TOWARD OTHER SEGMENTS OF OUR SOCIETY AND OTHER GOVERNMENT ACTIVITIES.

REQUIRING SENATE CONFIRMATION FOR THE PRINCIPAL OFFICERS OF THE NEW DEPARTMENT OF VETERANS AFFAIRS WOULD ASSURE THEIR ACCOUNTABILITY TO CONGRESS. THIS CHANGE SHOULD ALSO RESULT IN MORE AND BETTER OVERSIGHT OF VETERANS PROGRAMS, AND, HOPEFULLY, BETTER ADMINISTRATION OF THOSE PROGRAMS THAT WE IN CONGRESS HAVE PASSED AND THE PRESIDENT HAS ENDORSED TO MEET VETERANS' NEEDS.

I HAVE FIRSTHAND KNOWLEDGE OF AT LEAST ONE AREA WHERE GREATER OVERSIGHT WILL CERTAINLY BE BENEFICIAL TO MANY VETERANS AND THE TAXPAYER ALIKE. THE V.A.'S FAILURE TO PROPERLY SERVICE ITS HOUSING LOANS IN ECONOMICALLY DEPRESSED SOUTHEAST TEXAS HAS LED TO UNNECESSARY FORECLOSURES ON VETERANS' HOMES. MANY OF THESE HOMES COULD HAVE BEEN SAVED FOR THE VETERANS WHO OWNED THEM, AND THE COST

OF FORECLOSING AND DISPOSING OF THE HOUSES COULD HAVE BEEN AVOIDED, IF THE V.A. HAD BETTER USED THE RESOURCES AND POWERS WITHIN ITS MEANS.

THE VETERANS' ADMINISTRATION WAS ESTABLISHED AS AN INDEPENDENT AGENCY IN 1930. IT ADMINISTERS A DIVERSE AND COMPLEX ARRAY OF PROGRAMS FOR VETERANS OF THE U.S. ARMED FORCES IN THE AREAS OF DISABILITY COMPENSATION AND PENSIONS, MEDICAL CARE AND RESEARCH, EDUCATION AND TRAINING, HOME LOAN ASSISTANCE, INSURANCE, AND CEMETERY AND MEMORIAL BENEFITS. THE V.A. IS THE SECOND LARGEST AGENCY IN THE EXECUTIVE BRANCH IN TERMS OF STAFF AND ITS BUDGET IS LARGER THAN OVER HALF OF THE EXISTING DEPARTMENTS.

AT THE TIME THE V.A. WAS CREATED THERE WERE ONLY ABOUT FOUR AND ONE HALF MILLION LIVING VETERANS. TODAY, VETERANS NUMBER OVER 27 MILLION WITH OVER 79 MILLION PERSONS (VETERANS, DEPENDENTS AND SURVIVORS OF DECEASED VETERANS) POTENTIALLY ELIGIBLE FOR V.A. BENEFITS AND SERVICES.

THE V.A. NOW PAYS DISABILITY COMPENSATION OR PENSION BENEFITS TO OVER THREE MILLION VETERANS, WHILE OVER ONE MILLION WIDOWS AND OTHER SURVIVORS OF VETERANS RECEIVE SURVIVOR COMPENSATION OR DEATH PENSION BENEFITS. THESE PAYMENTS TOTAL APPROXIMATELY $14 BILLION ANNUALLY.

OVER 18 MILLION BENEFICIARIES HAVE RECEIVED EDUCATION AND TRAINING FROM 1944, WHEN THE FIRST G.I. BILL BECAME LAW, UNTIL LAST YEAR.

THE V.A. OPERATES MEDICAL CENTERS, OUTPATIENT CLINICS, NURSING HOME CARE UNITS AND DOMICILIARIES. IT ALSO CONDUCTS MEDICAL RESEARCH IN SUCH AREAS AS DEVELOPMENT OF PROSTHETIC DEVICES AND TREATMENT OF SPINAL CORD INJURIES AND ALZHEIMER'S DISEASE, AMONG OTHERS.

FROM 1944 THROUGH SEPTEMBER 1986, THE V.A.'S HOME LOAN GUARANTEES HAVE TOTALED $263 BILLION AND ITS 333,000 DIRECT LOANS HAVE TOTALED OVER $3 BILLION. DURING THE LAST FISCAL YEAR THE V.A. GUARANTEED MORE THAN 300,000 LOANS VALUED AT APPROXIMATELY $22 BILLION.

THE V.A. ALSO ADMINISTERS APPROXIMATELY $200 BILLION IN LIFE INSURANCE POLICIES FOR OVER 7 MILLION VETERANS AND MILITARY PERSONNEL.

IT OPERATES CEMETERIES IN 38 STATES AND PUERTO RICO, AND, IN ADDITION, IT PROVIDES MARKERS FOR THE GRAVES OF VETERANS BURIED IN PRIVATE AND NATIONAL CEMETERIES.

IN VIEW OF ALL OF THE FACTORS I HAVE MENTIONED, IT IS APPROPRIATE TO ELEVATE THE VETERANS' ADMINISTRATION AT THIS TIME. I HOPE YOU WILL APPROVE THIS BILL AS A RESOUNDING TRIBUTE TO THOSE MEN AND WOMEN WHO HAVE FOUGHT TO PRESERVE THE AMERICAN WAY OF LIFE AND THE FREEDOM WE ALL ENJOY.

Statement of
Honorable G. V. (Sonny) Montgomery
Chairman
House Committee on Veterans' Affairs
on S. 533
before the
Senate Committee on Governmental Affairs
December 9, 1987

MR. CHAIRMAN, I WANT TO THANK YOU FOR SCHEDULING EARLY CONSIDERATION OF THIS MEASURE. I ALSO APPRECIATE THE COOPERATION OF THE DISTINGUISHED GENTLEMAN FROM DELAWARE, MR. ROTH.

MR. CHAIRMAN, YOUR DISTINGUISHED SERVICE TO THIS COUNTRY IS WELL KNOWN. AS A VETERAN OF WORLD WAR II AND THE KOREAN CONFLICT, I KNOW THAT YOU UNDERSTAND WELL THE NATION'S COMMITMENT TO ITS VETERANS AND THE IMPORTANCE OF THAT COMMITMENT.

IT SHOULD BE NOTED THAT MR. ROTH IS ALSO A WORLD WAR II VETERAN.

AS YOU KNOW, H. R. 3471 PASSED THE HOUSE BY AN OVERWHELMING VOTE OF 399 TO 17. I AM PLEASED TO BE ON A PANEL TO REPRESENT THE HOUSE POSITION ON THIS IMPORTANT LEGISLATION WITH MY DISTINGUISHED COLLEAGUES, JACK BROOKS, CHAIRMAN OF THE COMMITTEE ON GOVERNMENT OPERATIONS, A COMBAT VETERAN OF WORLD WAR II, AND JERRY SOLOMON, THE RANKING MINORITY MEMBER OF THE COMMITTEE ON VETERANS' AFFAIRS, WHO IS A KOREAN WAR VETERAN.

JACK BROOKS HAS PROVIDED OUTSTANDING LEADERSHIP IN THIS MATTER. WHEN HE PUT HIS STAMP OF APPROVAL ON THE HOUSE BILL, ITS PASSAGE WAS ASSURED.

JERRY SOLOMON ALSO DESERVES A LOT OF CREDIT. FROM THE FIRST DAY HE ASSUMED THE POSITION OF RANKING MINORITY MEMBER OF THE VETERANS' AFFAIRS COMMITTEE, JERRY DECIDED THIS LEGISLATION WAS GOING TO BE HIGH ON HIS PRIORITY LIST. HE DID A LOT OF WORK ON THIS PROPOSAL.

I STRONGLY SUPPORT THIS LEGISLATION AND I DO SO FOR MANY REASONS.

THE VA HAS THE FIFTH LARGEST BUDGET AMONG FEDERAL DEPARTMENTS AND AGENCIES. ITS EXPENDITURES IN FY 1986 WERE GREATER THAN THE DEPARTMENTS OF ENERGY, INTERIOR, JUSTICE, STATE AND COMMERCE COMBINED.

THE AGENCY EMPLOYS ABOUT 250,000 PEOPLE, SECOND ONLY TO THE DEPARTMENT OF DEFENSE.

THE VA OPERATES THE LARGEST HOSPITAL AND HEALTH CARE SYSTEM IN THE FREE WORLD. ITS 172 MEDICAL FACILITIES ARE AFFILIATED WITH MORE THAN 100 OF THE TOP MEDICAL, DENTAL AND NURSING SCHOOLS THROUGHOUT THE COUNTRY.

THE VA HAS BECOME AN INTERNATIONALLY RECOGNIZED MAJOR CONTRIBUTOR TO MEDICAL SCIENCE. ITS RESEARCH PROGRAM IS THE SECOND LARGEST IN THE FEDERAL GOVERNMENT.

THE VA HAS A VERY COMPREHENSIVE INCOME MAINTENANCE PROGRAM. DISABILITY COMPENSATION AND PENSION PAYMENTS TOTALING ALMOST $15 BILLION GO OUT EACH YEAR TO MORE THAN THREE MILLION VETERANS AND ELIGIBLE DEPENDENTS.

THE VA ADMINISTERS EDUCATION AND TRAINING BENEFITS FOR HUNDREDS OF THOUSANDS OF VETERANS UNDER THE VIETNAM ERA GI BILL, THE NEW GI BILL FOR THE ALL-VOLUNTEER FORCE AND THE VOCATIONAL REHABILITATION PROGRAM FOR SERVICE-CONNECTED VETERANS.

MR. CHAIRMAN, WE ARE TALKING ABOUT AN AGENCY THAT IS ONE OF THE LARGEST IN THE FEDERAL GOVERNMENT, OVERSEEING BENEFITS AND SERVICES TO MILLIONS OF OUR CITIZENS.

SOME FEEL THE VA IS RUN BY THE OFFICE OF MANAGEMENT AND BUDGET. THIS HAS BEEN THE PERCEPTION FOR MANY YEARS. VETERANS PROGRAMS ARE TOO IMPORTANT TO BE LEFT TO MID-LEVEL DECISION MAKERS AT OMB. POLICY DECISIONS AFFECTING VETERANS SHOULD BE MADE AT THE HIGHEST LEVEL. I BELIEVE GRANTING CABINET STATUS TO THE AGENCY WILL ENSURE THAT.

THE CONGRESSIONAL BUDGET OFFICE HAS STATED THAT THERE WILL BE INSIGNIFICANT COSTS INVOLVED IN UPGRADING THE VA. WHEN I'M ASKED ABOUT THE COST OF THIS BILL, I USUALLY RESPOND BY SAYING THAT THE MAJOR COST WOULD BE THE AMOUNT GSA WOULD HAVE TO PAY TO PUT ANOTHER CHAIR IN THE CABINET ROOM. OF COURSE, WE ARE ALSO TALKING ABOUT $30,000 IN SALARY INCREASES FOR TOP VA OFFICIALS.

THE BILL ONLY SEEKS TO ELEVATE THE VA TO A CABINET-LEVEL DEPARTMENT. THERE IS NO MOVE TO INCREASE THE FEDERAL BUREAUCRACY, BUT SIMPLY TO AFFORD VETERANS THE DIGNITY AND DEFERENCE THEY DESERVE. VETERANS HAVE EARNED THE RIGHT TO HAVE A VOICE IN THE PRESIDENT'S CABINET.

STATEMENT OF HONORABLE
GERALD B. SOLOMON

TO ELEVATE THE VETERANS ADMINISTRATION TO A CABINET-LEVEL DEPARTMENT

DECEMBER 9, 1987

MR. CHAIRMAN:

I WISH TO BEGIN BY EXPRESSING MY APPRECIATION TO YOU MR. CHAIRMAN, FOR MOVING UP YOUR SCHEDULED HEARING ON THIS BILL. THERE IS STILL TIME TO HAVE THIS MEASURE APPROVED AND ON THE PRESIDENT'S DESK FOR OUR NATIONS VETERANS BY CHRISTMAS.

A BILL ELEVATING THE VETERANS ADMINISTRATION TO A CABINET LEVEL DEPARTMENT HAS BEEN INTRODUCED IN EVERY CONGRESS FOR THE PAST 35 YEARS.
NOW, THANKS IN GREAT PART TO YOU, FOR THE FIRST TIME IN HISTORY, THIS GOAL IS WITHIN REACH.

ALSO, I WOULD THANK MY VERY GOOD FRIEND, THE CHAIRMAN OF THE HOUSE VETERANS' AFFAIRS COMMITTEE, SONNY MONTGOMERY, FOR HIS WORK ON THE BILL. I SHOULD ALSO NOTE THE EFFORTS OF CHAIRMAN BROOKS AND MY COLLEAGUE FROM NEW YORK, MR. HORTON AS WELL AS THE FINE WORK OF SENATORS ROTH, CRANSTON, MURKOWSKI AND THURMOND. WITHOUT THE SUPPORT OF THIS TEAM WE WOULD NEVER HAVE MADE SUCH PROGRESS.

MR. CHAIRMAN, I SHOULD ALSO POINT OUT THAT WE RECEIVED STRONG SUPPORT FOR THIS EFFORT FROM INSIDE VA. CONTRARY TO PRESS REPORTS, I KNOW FOR A FACT THAT TOM TURNAGE HAS BEEN A STRONG ADVOCATE OF THE LEGISLATION. TOM TURNAGE WAS INSTRUMENTAL IN THE PRESIDENT ANNOUNCING HIS SUPPORT THE DAY BEFORE VETERANS DAY... AND HE SUPPORTS IT, NOT FOR HIMSELF, BUT BECAUSE HE KNOWS THIS IS GOOD FOR AMERICAS' VETERANS.

MR. CHAIRMAN, I WOULD BE REMISS IF I FAILED TO RECOGNIZE THE LEADERSHIP ROLE PLAYED BY ALL OF THE VETERANS' SERVICE ORGANIZATIONS IN THIS EFFORT. THE AMERICAN LEGION, THE VETERANS OF FOREIGN WARS, DISABLED AMERICAN VETERANS, AMVETS, PARALYZED VETERANS OF AMERICA, BLINDED VETERANS ASSOCIATION, VIETNAM VETERANS OF AMERICA AND MANY OTHERS HAVE WORKED TIRELESSLY IN ORDER TO GAIN APPROVAL OF THIS LEGISLATION. THERE HAS BEEN UNITED AND OVERWHELMING SUPPORT.

MR. SPEAKER, I WISH TO ADDRESS FOR A MOMENT SOME SHAMEFUL EDITORIALS WHICH HAVE APPEARED IN THE PRESS. THE EDITORIALS IN OPPOSITION TO THIS MEASURE, WHICH I HAVE READ AND RESPONDED TO HAVE BEEN INACCURATE, INCONSISTENT AND INSULTING TO OUR NATIONS' VETERANS.

THESE EDITORIALS INVARIABLY SAY THEY RECOGNIIZE THE NATIONS' OBLIGATION TO VETERANS, AND THEN THEY SAY THE VETERANS BUDGET IS TOO BIG AND VETERANS HAVE TOO MUCH INFLUENCE IN WASHINGTON.

IN OTHER WORDS, THEY GIVE VETERANS A PAT ON THE HEAD AND THEN TELL THEM TO RUN ALONG AND STAY OUTSIDE WHERE THEY BELONG.

THE MEN AND WOMEN WHO HAVE SERVED IN OUR ARMED FORCES AND WHO HAVE RISKED THEIR LIVES FOR OUR COUNTRY DESERVE BETTER, AND I KNOW THAT THE SENATE AS WELL AS THE HOUSE, APPRECIATES THEIR UNSELFISH DEVOTION TO DUTY.

WHEN THE VA WAS FORMED AS A FEDERAL AGENCY IN JULY OF 1930, THERE WERE 4.5 MILLION VETERANS IN THE UNITED STATES. TODAY, THE VETERANS' POPULATION IS OVER 27 MILLION. IN RESPONSE TO THIS INCREASE, THE SIZE AND RESPONSIBILITIES OF THE VETERANS ADMINISTRATION HAVE GROWN SUBSTANTIALLY.

CLEARLY, THE TIME HAS COME TO ELEVATE THE VETERANS ADMINISTRATION TO A FEDERAL DEPARTMENT. PROGRAMS ADMINISTERED BY THE VA TOUCH VIRTUALLY EVERY FAMILY IN AMERICA. TODAY, IN ADDITION TO THE OVER 27 MILLION VETERANS, THERE ARE 51 MILLION SURVIVORS AND DEPENDENTS. AMONG FEDERAL DEPARTMENTS, ONLY DOD HAS MORE EMPLOYEES. THE VA OPERATES THE LARGEST HEALTH-CARE SYSTEM IN THE FREE WORLD. THE VA HOME LOAN PROGRAM IS ONE OF THE LARGEST HOUSING ENDEAVORS IN THE COUNTRY AND THE MONTGOMERY GI EDUCATION PROGRAM INTERACTS WITH VIRTUALLY EVERY COLLEGE AND UNIVERSITY IN AMERICA.

ALTHOUGH THE SIZE AND IMPORTANCE OF THE VA JUSTIFIY UPGRADING IT TO CABINET LEVEL, THERE ARE EVEN MORE COMPELLING FACTORS TO CONSIDER. BENEFITS FOR VETERANS AND THEIR FAMILIES HAVE BEEN EARNED THROUGH GREAT PAIN AND SACRIFICE, AND OFTENTIMES, BY THE LOSS OF LIVES.

IN RECOGNITION OF THE CONTRIBUTIONS TO FREEDOM MADE BY THE MEN AND WOMEN WHO HAVE SERVED THEIR COUNTRY IN UNIFORM, AMERICANS HAVE PLACED A HIGH PRIORITY ON VETERANS. BY AUTHORIZING CABINET STATUS FOR THE VETERANS ADMINISTRATION, WE WOULD ENSURE THAT ITS CHIEF EXECUTIVE OFFICER FULLY PARTICIPATES IN TOP LEVEL DISCUSSION AND POLICY MAKING ON ISSUES HAVING A DIRECT EFFECT ON AMERICA'S VETERANS.

VETERANS SHOULD BE REPRESENTED IN ONE DEPARTMENT WHERE ALL OF THEIR NEEDS ARE GIVEN THE HIGHEST PRIORITY, NOT DIVIDED UP AND LOST IN A CROWD OF OTHER INTERESTS. HOW MANY TIMES HAVE WE HEARD OTHER DEPARTMENT HEADS EVEN SAY THE WORD "VETERAN"? THERE IS NO MOVE TO INCREASE THE FEDERAL BUREAUCRACY, BUT SIMPLY TO AFFORD VETERANS THE DIGNITY THEY DESERVE.

MR. CHAIRMAN, I WILL SIMPLY CONCLUDE BY SAYING WHAT I HAVE SAID HUNDREDS OF TIMES ON THIS ISSUE...I'VE SAID IT TO COUNTLESS MEMBERS OF CONGRESS...I'VE SAID IT TO VETERANS ACROSS THE COUNTRY, I'VE SAID IT TO PRESIDENT RONALD REAGAN... AND I INTEND TO KEEP RIGHT ON SAYING IT UNTIL THIS BILL IS SIGNED INTO LAW. --- AMERICA'S VETERANS HAVE EARNED THE RIGHT TO BE HEARD AT THE HIGHEST LEVEL OF THE AMERICAN GOVERNMENT!!!

THANK YOU.

STATEMENT OF THOMAS K. TURNAGE
ADMINISTRATOR OF VETERANS' AFFAIRS
BEFORE THE
SENATE
COMMITTEE ON GOVERNMENTAL
AFFAIRS
DECEMBER 9, 1987

I am pleased to be here today to assist the Committee in consideration of proposals to elevate the Veterans Administration to cabinet status.

Mr. Chairman, I applaud President Reagan's expression of support for this legislation ~~as~~ an unsurpassed tribute to the patriotic men and women who have answered their nation's call to duty. Enactment would be further evidence of America's profound commitment to meeting the needs of its veterans and their dependents and survivors. This legislation would ensure that veterans' interests will continue to be given thorough and appropriate attention and voice at the highest levels of government.

Without regard to any personal considerations, I strongly advocated, within the Administration, the elevation to cabinet status. The Veterans Administration is one of the premier agencies within the Government with wide-ranging programs that impact directly on the well-being of the Nation and should rightly participate in deliberations of national policy and direction.

The measure adopted recently by the House of Representatives, H.R. 3471, would redesignate the Veterans Administration as the Department of Veterans Affairs and establish the Agency as an executive department in the executive branch of the Government. The bill would also make certain changes in provisions affecting the VA's principal officers consistent with cabinet-level status, while not requiring major changes in the internal structure of the VA or its various programs. In particular, the positions presently denominated Administrator and Deputy Administrator of Veterans' Affairs would be retitled Secretary and Deputy Secretary of Veterans Affairs. Several other positions in the Agency would be made subject to Presidential appointment and Senate confirmation. The positions of Chief Benefits Director and General Counsel would be established as statutory offices. Eight other positions would be designated to be held by assistant secretaries. The position of Chief Medical Director would be continued as a statutory position, but subject to presidential appointment and Senate confirmation. Upward adjustments of executive pay schedule levels would be made for several offices. Legislation introduced in the Senate, S. 533, would provide upward pay schedule adjustments for only the Secretary and Deputy Secretary, while making changes in the titles of certain subordinate officials and the name of the Agency itself.

The VA was established on July 21, 1930, to unite in a single agency the responsibility for providing Federal benefits to veterans and their dependents. The VA is now the Federal Government's largest independent agency, ranking with the largest Cabinet departments in terms of both budget and staff. The present veteran population of 27.6 million is nearly six times the 4.7 million veterans living in the United States in the year the VA was founded. Almost 80 million persons - veterans, their dependents, and survivors of deceased veterans - are potentially eligible for VA benefits and services. These persons comprise roughly one-third of the nation's population. War veterans living today account for 58 percent of all Americans who ever served in war during our country's more than two-century history.

Through September 30, 1987, the VA and its predecessor agencies have spent over $512 billion for benefits and services to veterans and their dependents and survivors. The fiscal year

1987 VA outlays of almost $27 billion ranked ahead of ten cabinet-level departments. Some idea of the magnitude of the VA's impact is suggested by a review of its primary programs.

DISABILITY AND DEATH PAYMENTS

Nearly 3 million veterans currently receive disability compensation or pension benefits from the VA. Just over 1 million widows and other survivors of veterans are being paid death benefits. VA disability and death compensation and pension payments total over $14 billion annually, a sum greater than the fiscal year 1987 outlays of six cabinet-level agencies.

HEALTH CARE

The VA operates the nation's largest medical-care system, with 172 medical centers, 229 outpatient clinics, 117 nursing-home care units, and 16 domiciliaries. Each year, VA medical centers treat 1.3 million patients, and the VA's outpatient clinics register more than 20 million visits. The total cost of treatment is more than $9 billion annually. One-half of all physicians in practice in the United States today have received some portion of their training in VA health facilities. In addition to furnishing high-quality health care to the nation's veterans, the VA also conducts an array of research activities concentrating on some of the most difficult research challenges confronting medical science today. In 1987, the VA spent $195 million for medical research, rehabilitation research and development, and other health-service research and development. Further, the VA health-care system serves as a key backup to Department of Defense health facilities in time of war.

LIFE INSURANCE

The VA operates one of the largest life insurance programs in the world. In 1987, the VA administered or supervised life insurance coverage totaling approximately $213 billion for 7.2 million veterans and military personnel. In terms of aggregate coverage, if the VA were a private insurer, it would rank as the nation's fifth largest.

HOME LOAN GUARANTY

The VA's 44-year-old home loan guaranty program has benefited some 12.9 million veterans and their dependents. In fiscal year 1987, the VA guaranteed over 474,400 loans valued at almost $34.8 billion.

NATIONAL CEMETERIES

The VA operates 111 national cemeteries in 38 states and Puerto Rico and provides over 250,000 headstones and markers each year for graves of eligible decedents. Interments are expected to increase from 53,665 in fiscal year 1987 to 81,000 in the year 2000.

EDUCATION AND TRAINING

Finally, mention should be made of the great role the VA has played in education and training. From 1944, when the first GI Bill became law, to December 1986, a total of 18.3 million beneficiaries have received GI Bill education and training. Through December 1986, the cost of these benefits has totaled $62 billion.

The VA is also a major national employer. Among all departments and agencies of the Federal Government, only the Department of Defense has a larger work force. Presently, the VA employs approximately one-quarter million persons on a full-time, part-time, or intermittent basis. One out of every 10 employees of the Federal Government's full-time work force is employed by the VA.

These statistics shed at least some light on the great size and scope of the VA's programs and on the tremendous contribution they make, not only to the lives of our country's veterans and their families, but also to the national well-being generally. Commensurate with the size and scope of its programs, the VA plays an important policy-making role in addressing major issues of national significance such as AIDS, national health research priorities and other health care issues, as well as education, housing and national security.

I am concerned that certain aspects of H.R. 3471 may unduly restrict the management flexibility of any future Secretary of Veterans Affairs. In particular, the requirement in section 4(a) of the bill that there be eight assistant secretaries appointed by the President would deprive the Secretary of the organizational latitude necessary for efficient management and responsiveness to changing circumstances. I recommend instead that authority be provided for appointment of a number of assistant secretaries "not to exceed" a maximum number. Furthermore, organizational latitude is restricted by subsections 4(b), (c) and (d) of the bill, which specify which functions must be assumed by these assistants and require that all their duties be designated at the time of nomination. These restrictions on a Secretary's ability to adapt to changing needs should be deleted.

The Chief Medical Director currently enjoys special compensation status under title 38, which should be retained in the new legislation. Further, we recommend that the pay status of the Chief Benefits Director be elevated to that of Executive Level IV rather than Executive Level III; this would equate the status of that position with that of the Commissioner of Social Security, a Level IV position. Finally, if the titles of Chief Benefits Director and Chief Medical Director are to be retained, we believe for organizational consistency the title Chief Memorial Affairs Director should be retained for the official who directs the National Cemetery System and the State cemetery grant program. It would be incongruous to have only one of the three veterans' program elements headed by an assistant secretary, while the other two have "directors." We support a pay status of Executive Level IV for this official, consistent with our recommendation regarding the Chief Benefits Director.

Obviously, if this latter suggestion is adopted, there should be a corresponding reduction in the maximum number of assistant secretaries the agency is authorized. We believe ample flexibility would exist to develop an effective organizational structure if authority were given to appoint up to six assistant secretaries.

The 4-year terms of office for those who would direct the health-care and benefits programs should also be deleted. Upon initial Senate confirmation, these officials should thereafter continue in office at the pleasure of the President. The legislation should also provide the President authority to reappoint an incumbent without need for reconfirmation in order to provide for orderly transitions between administrations. Second, if they are to be appointed by the President, the President should retain unencumbered authority to remove them just as he may other appointed officials of this or other executive departments. Accordingly, the requirement now found in section 3(b) and (c) of H.R. 3471 for congressional notification in the event of removal of either of these officials before expiration of their designated terms of office should be deleted.

With one notable exception, H.R. 3471 would authorize incumbent VA officials to perform the functions of key officials of the new Department of Veterans Affairs on an acting basis pending Presidential appointments to fill the positions. However, the bill does not authorize an incumbent to act as General Counsel of the agency, raising a question as to whether that position must remain vacant until a new General Counsel is appointed and confirmed. To assure continuity, we recommend that the incumbent General Counsel be authorized to act in that capacity until action is taken to fill the position under authority of the new statute.

Section 12 of H.R. 3471 directs the new Secretary to prepare and submit to Congress proposed legislation containing technical and conforming amendments to title 38 and other provisions of law. Mr. Chairman, we have appreciated the receptivity of this Committee and others in Congress to our recommendations for developing the enabling legislation. We intend to continue working closely with Congress in framing appropriate technical changes, but a requirement that the Secretary propose such legislation has separation-of-powers implications and should therefore be deleted. No similar requirements were included in legislation establishing the Departments of Energy and Education.

Finally, it is unnecessary that the names of the program elements, as provided for in sections 5 and 6 of the bill, be statutorily prescribed. We would recommend that the prerogative for such designations be retained by those with responsibility for administering the programs.

I appreciate the opportunity to advise the Committee on this matter of great significance to veterans.

STATEMENT OF THE HONORABLE MAX CLELAND
SECRETARY OF STATE FOR GEORGIA, AND FORMER ADMINISTRATOR OF THE VETERANS ADMINISTRATION
BEFORE THE UNITED STATES SENATE GOVERNMENTAL AFFAIRS COMMITTEE

WEDNESDAY, DECEMBER 9, 1987

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

THE CONGRESS HAS THE OPPORTUNITY TO SAY TO AMERICA'S VETERANS, "YOUR CONTRIBUTION WILL NOT GO UNNOTICED."

BY ELEVATING THE VETERANS ADMINISTRATION TO THE CABINET-LEVEL DEPARTMENT OF VETERANS AFFAIRS, YOU WILL HELP GUARANTEE THE PROPER VISIBILITY FOR AMERICA'S DEFENDERS.

THE SIZE, SCOPE, RESPONSIBILITY AND IMPACT OF THE GOVERNMENT'S ROLE IN THE LIVES OF ALL VETERANS DEMANDS GREATER ACCESS.

EXCEPT FOR THE DEPARTMENT OF DEFENSE, THE VETERANS ADMINISTRATION HAS MORE EMPLOYEES THAN ANY AGENCY IN FEDERAL GOVERNMENT.

WHEN I LED THE V.A., WE HAD 236,000 EMPLOYEES, WHICH HAS NOW GROWN TO OVER A QUARTER-OF-A-MILLION PEOPLE.

AS V.A. ADMINISTRATOR, I JOKED THAT ONLY THE SECRETARY OF THE ARMY HAD MORE TROOPS THAN I HAD.

THE V.A.'S BUDGET IS LARGER THAN FIVE CABINET-LEVEL DEPARTMENTS COMBINED.

THE SCOPE AND IMPACT OF THE V.A. IS REFLECTED IN THE FACT THAT ONLY THE POSTAL SERVICE HAS MORE FACILITIES IN AMERICAN COMMUNITIES THAN DOES THE V.A.

THE V.A. SERVICES TWENTY-SEVEN MILLION VETERANS, AND ALMOST FORTY PERCENT OF AMERICANS ARE TOUCHED IN SOME WAY BY THE ACTIVITIES OF THE V.A.

WE MUST ASK OURSELVES, "WHAT IS THE PURPOSE, THE RESPONSIBILITY, INDEED, THE MISSION OF THE V.A.?".

I HAVE ALWAYS THOUGHT THAT THE KEY TO DEFENSE IS TAKING CARE OF THE DEFENDERS -- NOT JUST WHILE THEY ARE SERVING IN THE MILITARY, BUT AFTER THEY HAVE RETURNED HOME TO THE LAND THEY DEFENDED.

YOU, AS MEMBERS OF CONGRESS, HAVE THE IMPORTANT RESPONSIBILITY TO TAKE CARE OF THOSE WHO HAVE TAKEN CARE OF THIS COUNTRY.

AND WHAT AN OPPORTUNITY YOU HAVE TODAY.

YOU CAN SAY TO AMERICA'S VETERANS THAT THEIR SACRIFICE IS RECOGNIZED, APPRECIATED, AND WILL BE PROPERLY REWARDED WITH THE ACCESS AND VOICE THEY DESERVE AT THE HIGHEST LEVEL OF AMERICAN GOVERNMENT.

WHEN I SERVED AS ADMINISTRATOR OF THE V.A., PRESIDENT CARTER AND I SAW THE NEED FOR THE AGENCY TO WORK MORE CLOSELY WITH THE WHITE HOUSE AND THE VARIOUS DEPARTMENTS OF FEDERAL GOVERNMENT.

FOLLOWING AN EXTENSIVE STUDY OF THE NEEDS OF AMERICA'S VETERANS, PRESIDENT CARTER, BY EXECUTIVE ORDER, MADE ME A MEMBER OF THE CABINET FOR THE PURPOSE OF ATTENDING CABINET MEETINGS -- A PRACTICE, I UNDERSTAND, THAT IS NOT IN EFFECT TODAY.

THE ROLE WAS MY WINDOW TO THE WORLD -- NOT ONLY PROVIDING INSIGHT INTO WHAT THE PRESIDENT WAS THINKING AND WHAT WAS HAPPENING IN THE FEDERAL GOVERNMENT, BUT, IMPORTANTLY, INSIGHT INTO WHAT I AND MY AGENCY COULD DO TO SERVE AMERICA'S DEFENDERS AND THEIR FAMILIES.

IN CONTRAST, WHEN AN ADMINISTRATOR DOES NOT HAVE ACCESS TO THE PRESIDENT AND TO THE FUNCTIONS OF FEDERAL GOVERNMENT, HE CAN FIND HIMSELF -- AND THE AGENCY -- ISOLATED IN THE BUREAUCRACY AND GETTING "LOST IN THE SHUFFLE" -- ULTIMATELY CAUSING THE MISSION AND THE AGENCY TO SUFFER.

AMERICA'S VETERANS NEED NOT SUFFER ANYMORE.

ALONG THOSE SAME LINES, MR. CHAIRMAN, I WOULD LIKE TO SPECIFICALLY ADDRESS ONE ASPECT OF THE PROPOSED LEGISLATION WHICH I FIND TROUBLESOME.

I FIRMLY BELIEVE THAT THE SECRETARY AND DEPUTY SECRETARY OF THE DEPARTMENT OF VETERANS AFFAIRS SHOULD BE APPOINTED BY THE PRESIDENT, SUBJECT TO CONFIRMATION BY THE SENATE. THE INSPECTOR GENERAL, BY LAW, IS ALSO APPOINTED AND CONFIRMED IN THIS MANNER.

THE TOP OFFICIALS OF THE DEPARTMENT WILL THEN BE ACCOUNTABLE TO THE PRESIDENT AND CONGRESS. THIS PROCESS WILL ACKNOWLEDGE THE TREMENDOUS IMPACT OF THE DEPARTMENT ON THE LIVES OF SO MANY AMERICANS BY CREATING HIGHER VISIBILITY AND ACCESS.

I DO NOT BELIEVE, HOWEVER, THAT PRESIDENTIAL APPOINTMENTS AND SENATE CONFIRMATION SHOULD GO DEEPER WITHIN THE DEPARTMENT.

THE VETERANS ADMINISTRATION HAS A HISTORY OF HIGH TURNOVER.

IN THE LAST TEN YEARS, THE V.A. HAS WITNESSED FOUR ADMINISTRATORS AND FIVE MEDICAL DIRECTORS. TAMPERING WITH THE CAREER UNDERSTRUCTURE OF THE AGENCY ONLY SERVES TO FURTHER THE LACK OF CONTINUITY IN AREAS THAT SHOULD BE SERVED BY CAREER EMPLOYEES WHOSE JOB IS TO ADMINISTER ENTITLEMENTS ESTABLISHED BY CONGRESS.

I FURTHER BELIEVE THAT PRESIDENTIAL APPOINTMENTS AND SENATE CONFIRMATIONS BELOW THE SECRETARY, DEPUTY SECRETARY, AND INSPECTOR GENERAL WOULD POLITICIZE FUNCTIONS THAT ARE SIMPLY NOT POLITICAL, AND PROHIBIT THE LEADERSHIP OF THE DEPARTMENT FROM ENSURING ACCOUNTABILITY.

I URGE THIS COMMITTEE, THEREFORE, TO STUDY CAREFULLY THAT PART OF THE LEGISLATION WHICH WOULD CREATE AN ENTIRELY POLITICAL DEPARTMENT OF VETERANS AFFAIRS.

I SINCERELY APPRECIATE THE OPPORTUNITY TO COME BEFORE YOU TODAY ON SUCH AN IMPORTANT ISSUE. THE MISSION OF PROVIDING FOR AMERICA'S DEFENDERS CAN NOT BE TAKEN LIGHTLY.

PRESIDENT CARTER SAW THE NEED, AND IT WORKED. I URGE YOU TO CREATE THE CABINET-LEVEL DEPARTMENT OF VETERANS AFFAIRS.

THANK YOU VERY MUCH.

STATEMENT OF
HARRY N. WALTERS
FORMER ADMINISTRATOR OF VETERANS' AFFAIRS, VETERANS ADMINISTRATION
BEFORE THE
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
CONCERNING
THE ESTABLISHMENT OF THE
VETERANS ADMINISTRATION
AS AN EXECUTIVE DEPARTMENT
DECEMBER 9, 1987

Mr. Chairman and Members of the Committee I sincerely appreciate this opportunity to express my views regarding the elevation of the Veterans Administration to a cabinet-level department. As a veteran, as a former Administrator of Veterans' Affairs of the VA and as a citizen, I believe the issue you are considering today is both a long overdue and necessary step in enhancing the operation of the federal government and ensuring continued recognition and representation of the men and women who have served this nation in the armed forces.

At the outset, I want to commend the sponsors and cosponsors of the legislative proposals, in both chambers of Congress, which will bring the Veterans Administration to the cabinet table. The recent passage of H.R. 3471 in the House of Representatives by an overwhelming, bipartisan majority clearly indicates the broad, popular support for elevating the agency to cabinet-level. The leadership of Representatives Jack Brooks and Frank Horton, Chairman and Ranking Minority Member of the House Committee on Government Operations, and Representatives G.V. "Sonny" Montgomery and Gerald Soloman, Chairman and Ranking Minority Member of the House Committee on Veterans' Affairs, are to be commended for their diligence, foresight and leadership. Similarly, Senator Strom Thurmond, long an advocate for the nation's veterans, and his Senate colleagues who have joined in cosponsoring similar legislation in the Senate deserve recognition for their efforts.

On the eve of Veterans' Day, this year, President Ronald Reagan voiced his support for bringing the Veterans Administration into the Cabinet. His statement was and is a clear signal to all American veterans of his continued, unwavering support for their services and sacrifices. The President, by his ongoing advocacy for veterans' programs and services and his endorsement for creating a Department of Veterans' Affairs has provided evidence of the role the VA plays in the fabric of American life and underscored the significant position the Veterans Administration has in the federal government.

Mr. Chairman, it would be only redundant to enumerate all the reasons the Veterans Administration should be elevated to a cabinet-level department. Statements regarding budget, number of employees, services performed, programs administered and the overall size of the agency's potential client population have all been repeated on many occasions and are well-known by almost everyone. Suffice it to say that it is my opinion that the Veterans Administration is one of the most significant, and best, agencies or departments within the federal government. Its inherent role leaves no question to its fulfilling a longstanding national commitment and obligation to the veterans of this country.

If for no other reason than the recognition of the men and women the VA serves, I support efforts to elevate the agency to a cabinet-level department. Historically, the United States has exhibited a special concern and honored its promise to those citizens who have served to defend and preserve our system of government and way of life. The elevation of the VA to a cabinet-level position is a logical and needed step in continuing the nation's obligation.

Beyond the moral rightness of placing the Veterans Administration in the Cabinet there are practical, managerial reasons for such action. The broad scope of veterans' benefits and programs, the fact that veterans, their survivors and dependents live in every community in the nation and the interaction of the VA with a wide array of other government entities, collectively, make the Veterans Administration one of the most comprehensive organizations within the federal government. This voice should not continue to be precluded from the highest level of national policy.

The elevation of the VA to cabinet-level will ensure proximity to the President and members of the Cabinet when significant issues of domestic policy are being developed. Recently, issues concerning long-term care, the problems of homelessness in America and the AIDS epidemic were all the focus of high level policy decisions. The Veterans Administration with comprehensive, effective programs in each of these areas was absent from the table while discussions were held and decisions were made establishing national direction. From a management perspective it is imperative that policy decisions be based on the best, most complete advice available and the exclusion of the VA from the Cabinet prolongs a situation which deprives national decisions-makers from garnering information from an agency that has direct knowledge based upon daily, hands-on experience throughout the nation.

With no significant, real cost to American taxpayers or the government, the elevation of the Veterans Administration will provide a highly visible sign to the American public of the invaluable service rendered by veterans and reiterate the nation's dedication to meeting its commitments. Additionally, elevation will serve to focus attention on the size of the VA and the significance of the role it plays in everyday American life.

Too often, it seems, the American public's only information regarding the Veterans Administration is the occasionally negative or pejorative story focusing on isolated incidents. The comprehensive and highly professional operation of the VA goes virtually unnoticed. The breadth and scope of VA programs and their implications for the entire nation are frequently overlooked. The elevation of the VA to the Cabinet should create, hopefully, a clearer, more valid picture of the significant, multi-faceted mission of the VA; communicating to Americans the importance of sustaining and supporting this vital government agency.

Finally, with the VA represented at the Cabinet table, the President will have greater access to information regarding matters that involve as many as

80 million citizens. The VA has consistently developed and implemented progressive, innovative programs to meet the needs of a diverse client population. These and future efforts could well serve as models for other federal programs. As a leader in medical care and research, in education and training, in rehabilitation, in benefits delivery, in housing and in addressing issues associated with aging the VA has been, and is, at the forefront of providing effective federal programs. This expertise should be inextricably entwined with the highest levels of government decision making.

Mr. Chairman and Members of the Committee, while I believe there exists broad, bipartisan and public support for elevating the Veterans Administration to an executive department, I understand there exists some concern regarding the implementation of such an effort. Aspects of organizational structure and issues associated with specific personnel placement and selection appear to be at the heart of the matter. I would like now to address these issues both from my experience in the federal government and from a manager's perspective currently in private industry.

First, I strongly support a traditional management organization with a clearly defined separation between line and staff functions. If the VA or any other organization is to function properly there can be no blurring of distinctions between operational and non-operational components. Clearly defined lines of authority need to exist if the VA is to continue to fulfill its mission.

This traditional management organization can be readily achieved within the Veterans Administration when it is elevated to an executive department by delineating line and staff entities. Those operations currently within the VA that are line or direct service providers are the Departments of Medicine and Surgery, Veterans' Benefits and Memorial Affairs. The heads of each of these entities need to be designated an Undersecretary in order to define their role as a line manager. Individual staff functions should be headed by an Assistant Secretary which will clearly define their non-line role. I understand that the House-passed measure creates eight such Assistant Secretaries and I find it difficult to state whether or not eight is the optimum number; however, I strongly believe that the Memorial Affairs function should not be included within any of the Assistant Secretaries. It is a distinct line operation.

The question of whether the President should nominate, with the advice and consent of the Senate, the line managers or proposed Undersecretaries has also been raised. It has been my experience that most organizations are only as good as the people in them so the confirmation process will serve as another step in ascertaining individual qualifications and in providing a public forum for scrutinizing each Undersecretary, as well as, each Assistant Secretary prior to final appointment. The process of nomination, advice and consent has served the nation exceptionally well over the past two hundred plus years and I view its application to those instructed with the management and operation of programs and benefits for this nation's veterans as wholly consistent with the intent of the founding fathers.

Mr. Chairman and Members of the Committee, in closing I will address myself to some specific issues and concerns of my own regarding the Veterans Administration and the men and women it is dedicated to serve. First, veterans have earned their benefits through personal hardships and sacrifices, on foreign shores and on the seas, in peacetime and during times of war. The programs and services provided our veterans by a grateful nation are not welfare. I urge this Committee and all Members of the United States Senate not to allow this effort to elevate the Veterans Administration to be turned aside by voices wishing to categorize the VA's programs as welfare.

The Veterans Administration is an agency with a long history of over fifty years of dedicated service by a highly motivated and caring workforce that, except for only isolated incidents, has well served our veterans, taxpayers and the nation. This exceptional record, to a great degree, has been the result of, perhaps, unparalleled scrutiny of the agency and its programs by Congress, the veterans' service organizations, the Office of Management and Budget and the press. The elevation of the VA certainly will not mitigate nor dilute this vigilance and will, in my judgement, serve to enhance the visibility and efficacy of veterans' programs and services.

It is my sincerest hope that this Committee and the United States Senate will act quickly and decisively in pushing forth to enact this elegant effort so long deserving by the veterans of our nation. It is my belief that the legislative proposal you develop and debate should be clear, concise and unencumbered with issues extraneous to the elevation of the Veterans Administration to a cabinet-level department so as to demonstrate to the American public with crystal clarity the continued support our government has for veterans.

Additionally, it is my firm belief that following enactment the new Secretary should be allowed the privilege to manage and lead the department. Congress, over the years, has become involved in managerial and operational aspects of the agency; this effort has, from time to time, been occasioned by necessity but with the establishment of a Department of Veterans Affairs it is incumbent that the Secretary be provided as much latitude and freedom of action, as possible.

The balance between oversight and the authority of the Secretary needs to turn in favor of the new Secretary. The Secretary must be able to establish the relationship between his office and those of the Undersecretaries and Assistant Secretaries in an effective and efficient manner if the mission of the VA is to be fulfilled in a manner befitting the needs of its constituents. A statement of this intent would be welcome as part of the legislation. Setting such a management environment will be both helpful and necessary if the new Secretary is to meet his responsibilities.

Finally, I will close by stating: Without our veterans, we simply would not be a free nation. We owe a deep debt of gratitude to those who have served our country in the Armed Forces. When I was Administrator of Veterans Affairs, I published the following mission statement for the VA:

> The mission of the Veterans Administration is to serve America's veterans and their families with dignity and compassion and to be their principal advocate in ensuring that they receive the care, support and recognition earned in service to this nation.

I still believe that mission statement is accurate. I also believe strongly that passage and enactment of legislation elevating the Veterans

Administration to an executive department will continue the nation's commitment to maintain that mission.

Mr. Chairman, Members of the Committee, we conceived a slogan at the Veterans Administration. Mottos and slogans are somewhat overused, but this slogan will always be accurate as long as there is a United States of America. "America is #1. Thanks to Our Veterans."

Thank you. I will be pleased to respond to your questions.

Vietnam Veterans of America, Inc.
2001 S St., NW
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Washington, DC 20009-1125

(202) 332-2700

STATEMENT OF

VIETNAM VETERANS OF AMERICA

Presented By

RICHARD E. O'DELL
VICE PRESIDENT

and

PAUL S. EGAN
LEGISLATIVE DIRECTOR

before the

STATE GOVERNMENTAL AFFAIRS COMMITTEE

ON

ELEVATION OF THE VA
TO CABINET LEVEL RANK

Mr. Chairman and members of the Committee, the Vietnam Veterans of America, Inc. (VVA) appreciates this opportunity to present its views on the matter of elevating the Veterans Administration (VA) from an Independent Agency to a Cabinet level agency. At the outset, it should be stated that we support this change in stature for the VA, although for perhaps different reasons than those of the other veterans service organizations.

In summary, the VA is an agency of enormous size and scope with programs and policy formulations that potentially touch something approaching 50 percent of the American population. In spite of this, the VA has existed in something of an accountability vacuum. It has become almost totally dominated by the Office of Management and Budget (OMB). More importantly, the VA has been generally free to exercise wide-ranging discretionary authority that has all too often been abusive to veterans, the programs they rely upon for readjustment to civilian life and the processes they must surmount in order to receive the benefits to which they are entitled.

Apart from accountability as the over-riding reason for our support of VA Cabinet status, we are somewhat constrained from offering guidance on the particulars of legislation to accomplish Cabinet rank. It seems obvious to us that the Administrator would have greater access to the President if he were a Cabinet Secretary and this access should permit policy input from the highest levels of the Executive Branch. However, the number of other political appointees to be added to the agency and what their specific roles might be are questions whose answers hold consequences that we are unable to clearly determine at this time. Undoubtedly, a wholesale increase in the number of political appointees will significantly change the agency's operational climate. The effects of this change can be expected to be both good and bad.

To the extent that greater numbers of VA officials will be subject to the Senate confirmation process, it is likely that some of those appointees who are ill-suited to veteran advocacy can be culled from those who are well qualified. This would be a step in the right direction. However, a lingering question remains as to how deeply extended into the agency one might wish to have any particular Administration's political tentacles. Historically, veterans' programs have been treated in a nonpartisan manner. The risk to this nonpartisan climate might be altered if the agency's top managers and policy-makers were ideologically, rather than programatically, oriented.

We offer this particular concern not because it should be held up as an obstacle to achieving Cabinet status but, instead, as a way of cautioning against hasty development of legislation to elevate the VA. Indeed, from our perspective, the VA's recent performance has been so poor that just about any change offering greater accountability would be an improvement.

In working with the agency, as well as with the congressional committees with jurisdiction over the VA, it has become clear to us that the VA is an agency whose career professionals have been constrained from carrying out the agency's mission because of interference from the OMB. In recent years, for example, evidence of OMB control of the agency has become so apparent that agency officials have often been unable to comply with Veterans Affairs Committee rules requiring timely delivery of written statements for congressional hearings because these statements have been subject to complete re-writes by the OMB. At some hearings agency witnesses have been embarrassed when asked to differentiate between their own professional views and those they have been instructed by the OMB to offer.

Access to the President, in this connection, is critically important since the complexity of so many of the agency's programs require careful direction from sources other than, or in addition to, the OMB. Even programs of lesser complexity, particularly those aimed at assisting veterans readjust from military service to civilian life, can benefit from policy direction that is motivated by more than mere fiscal considerations.

Any number of examples of this can be used to show the inherent unfairness of holding veterans' programs to strictly fiscal considerations. Spending patterns for VA programs over the last several years by contrast with spending patterns for similar non-VA federal programs are illustrative. Perhaps the most vivid example of this is a comparison between fiscal years 1977 and 1986 for veterans education and training programs and all other federal education and training assistance. The rate of spending for veterans in this category over that period declined by 81 percent. By contrast, the rate for similar non-veteran programs rose 190 percent for education programs and 25 percent for training and employment programs. The reason for this dramatic difference, although misunderstood or ignored by the OMB, is that veterans' readjustment programs are modest to begin with. In the case of some, such as the GI education program, scheduled sunset dates and delimiting periods force out-year spending reductions. As the period of time since the end of a war lengthens and the sunset date draws nearer, fewer are either eligible or opt to use these programs.

It is especially unfortunate when the VA (under OMB's direction) refuses to acknowledge ongoing and particularly troublesome readjustment problems. Under the circumstances, specially tailored programs designed to address these problems have needed to be extended. Unfortunately, program extensions have often been difficult to achieve even though program costs have been modest. The VA's Psychological Readjustment Counseling "Vet Center" program is a case in point. In spite of near unanimous clinical support within the VA for the program's on-going need, it has been targeted for dissolution.

As originally intended by Congress, since the program's inception in 1979, Vet Centers were to be established as store-front counseling centers in local communities apart from the VA medical centers. This configuration was devised because Vietnam veterans needing psychological readjustment counseling were mistrusting of traditional VA settings and unwilling to subject themselves to what, in the main, they considered to be insensitive and bureaucratic abusiveness.

This particular program has subsequently proven itself to be successful and popular with Vietnam veterans. Its ongoing need has been demonstrated conclusively by various program evaluations including a General Accounting Office study released last August. Nevertheless, the VA undertook to begin the process of integrating Vet Centers into the VA medical centers ahead of the statutorily defined schedule earlier this year. Surprisingly, the VA decided to go forward in spite of House-passed and pending Senate legislation to extend the program and shelter it from transition. The VA would have transferred counseling services from eight Vet Centers to VA medical centers this year anyway, but for a successful suit filed by the VVA to block this action.

Personnel reductions in both the Departments of Veterans Benefits (DVB) and of Medicine and Surgery (DM&S) constitute further examples of policy-blind VA obedience to the OMB. In the DVB, losses of personnel have amounted to approximately 30 percent since 1979. The result, predictably, has been an increase in the time it takes to award benefits and a precipitous decline in the quality of adjudications of claims filed in VA Regional Offices around the country. Similarly, it should surprise no one as to why the processing of home loan guaranty applications were so greatly delayed last year when interest rates declined. There simply weren't enough personnel to handle the volume of home loan activity even though personnel shortages escaped identification when the housing market was unfavorable.

In health care, we have seen a similar decline in personnel. Here, the VA has consistently ignored instructions by the Appropriations Committees to maintain health care staffing at specifically mandated floor levels. Health personnel have been allowed to decline by attrition without being replaced.

About three years ago the OMB prevailed on the VA to employ a different, though novel, approach to reducing health care personnel. By pointing to generally greater numbers of mid-level federal employees by contrast with the private sector, the VA was compelled to reduce the numbers of persons in the GS-11 to GS-15 pay ranges. VA health care should have been exempted but it wasn't. The result, again predictable, has been a disaster from which the VA's health care system has yet to emerge.

In the planning stages of this particular initiative, some rather obvious facts were ignored. First of all, health care systems in both the public and private sectors are labor intensive. Second, the health personnel most affected by the new policy were nurses, technical specialists and other critical allied health professionals who constitute the front lines in any medical care delivery system. Finally the personnel levels in VA health care within these grades were about the same or less than those in the private sector.

A related example involves the VA's (OMB's) ongoing plan to contract out, under the auspices of OMB Circular A-76, all of the VA hospital canteen food services that are available to patients and staff. Presumeably this plan has been motivated by an ideological, rather than a practical, commitment to the policy of privatization. Ignored here is the fact that canteen services, taken as a whole throughout the VA hospital system, are a profit-making entity requiring virtually no annual federal appropriations in order to operate.

After having argued that the VA needs policy direction other than fiscally motivated policy direction, we certainly recognize that even-as a Cabinet level agency the VA will come under strong fiscal pressure from the OMB. This is likely regardless of who occupies the White House. However, as a Cabinet level agency, greater access to the President should permit greater White House intervention on the most critical issues of importance to veterans. This, in our view, is important because VA programs touch so many different large constituencies. This notwithstanding, the concerns of veterans have too often been taken for granted by agencies other than the VA, by many Congressional authorizing committees other than the Veterans Affairs Committees and most assuredly by the media.

At the outset it was stated that accountability stood as an over-riding reason for agency elevation to Cabinet status. Thus far, we have cited examples of the VA's domination by the OMB to illustrate the absence of much-needed public policy, rather than fiscal policy, direction. In and of themselves these examples demonstrate a lack of agency accountability to its mission. Another facet of the agency accountability theme, however, which equally justifies agency elevation, concerns the lack of accountability to the veterans who are supposed to be served or assisted.

In this respect, and this is where we differ from the other veterans service organizations, we see elevation to Cabinet status not as a reward for a job done well but as a way of bringing some sunshine into an agency that has been left to its own discretionary devices for too long. With so little attention paid to the VA outside of the OMB, the general veterans community and the Veterans Affairs Committees, VA officials have been given too free a reign to do what they have pleased with, or to, important programs and adjudicative processes. Sometimes, as alluded to in dicussing health personnel reductions, this has involved violations of specific statutes or Congressional intent. The VA's failure to compensate veterans whose disabilities are associated with exposure to Agent Orange or ionizing radiation are two examples.

Another example is VA's failure to compensate veterans diagnosed with Post Traumatic Stress Disorder (PTSD) as prescribed by both statute and enabling VA regulation. What the VA has done in the case of claims for disability compensation due to PTSD is to provide rules for adjudicators, through rating manuals and circulars, that are unnecessarily restrictive. It is ironic to note here that Regional Office adjudicators, often in the GS-5 to GS-7 grade levels, are empowered to over-rule the clinical judgements of physicians.

Other examples that can be documented involve the general insensitivity of the VA to the problems of veterans as they attempt to negotiate the VA's adjudications machinery in pursuit of disability claims. These examples, in some instances, betray a general corruption of adjudicative processes. The requirements of due process and fairness for veterans using the claims apparatus are often sacrificed in the interest of adjudicative efficiency.

Perhaps the most egregious example of this involved a suit brought against the VA in California by a small group of veterans (National Association of Radiation Survivors) having failed to secure compensation for disabilities alleged to result from exposure to radiation. During the pretrial hearings and discovery proceedings it was found that the VA's Central Office destroyed internal documents of great importance to the case. This indiscretion cost the VA $115,000 for unlawfully destroying documents relevant to the case. The federal judge in this case was so shocked at the VA's behavior that she noted the agency's "callous disregard for lawful processes", and appointed a "special master" to assure VA compliance with the ongoing discovery proceedings. Testimony given during these proceedings was also revealing. Witnesses charged that some of the documents destroyed by the VA would have revealed a general Regional Office adjudications policy of routinely denying claims in the interest of meeting claims work production quotas.

Another related example involves the VA's Board of Veterans Appeals (BVA), the Supreme Court of the VA claims process. At an October 6, 1987 hearing of the House Veterans Affairs Subcommittee on Compensation Pension and Insurance, the Vietnam Veterans of America, Inc. charged that BVA — like the Regional Offices — uses production quotas, that Board members are rewarded with year-end bonuses for meeting or exceeding these quotas, that identical claims are decided differently by different sections of the Board, that the BVA allowance rates for some unknown reason have remained constant at 13 percent for many years and that the least experienced BVA staff attorneys are routinely required to work on the most complicated (time consuming) claims. Each of these charges were either admitted or acknowledged by the BVA Chairman at the hearing.

Apart from the need for accoutability at the VA, it will undoubtedly be necessary to determine how the VA as a Cabinet agency should be configured. As stated early on in this statement, we must refrain from offering detailed guidance. However, we do have a few comments to offer concerning the House-passed bill, HR 3471.

The specific provisions of the measure, with a few exceptions, can be expected to contribute significantly to the accountability we are seeking.

The bill requires, for example, the consent by the Senate of not only the Secretary and Deputy Secretary of the Department of Veterans Affairs but also the Chief Medical Director, Chief Benefits Director, the General Counsel and eight Assistant Secretaries. The confirmation process for each of these positions should advance agency accountability by offering an advance opportunity to scrutinize appointees, their qualifications and attitudes towards the veterans programs they will either administer or affect. Aside from the current positions of Administrator and Deputy Administrator, this has never been done before.

Two exceptions to the accountability engendered by the confirmation process include the Chief Medical Director and the Chief Benefits Director. In the case of the Chief Medical Director, current law allows independence from the political preferences of an elected Administration by shielding the position from service at the discretion of the President. Under current law, the Chief Medical Director is neither appointed by the President nor subject to Senate confirmation oversight. Because of this the person filling the position, as well as the programs he or she administers, are somewhat insulated from politically directed interference. We believe this should be allowed to continue and the same should also apply to the Chief Benefits Director.

After having said that, there are some adjustments in the bill that could lend continuity to the largest of the VA's functions. We recommend that the Chief Medical Director and the Chief Benefits Director be redesignated the Undersecretary of the Veterans Health Services Administration and Undersecretary of the Veterans Benefits Administration respectively. Our reason for supporting these adjustments is based on a recognition of the budgets under each position's purview. The current Medicine and Surgery budget is approximately $10 billion and the Veterans Benefits budget is approximately $15 billion.

In the case of each of these positions we further recommend that the four year terms of appointment commence at the halfway point in a typical presidential term and expire at the halfway point of the following presidential term. In this way the individuals serving in these posts might be given a degree of independence from the political agenda of any particular Chief Executive.

One final suggestion would allow the Chief Medical Director (or Undersecretary) to be appointed without having also to be a medical doctor. We view this position to be a senior executive position within an agency with wide-ranging medical facilities in need of management. This being so, it is difficult to see the need to restrict the candidates for this position to medical doctors.

Moreover, our recommendation on this point is not without precedent. Recently, Governor Mario Cuomo nominated an individual who is not a medical doctor to head the New York State Office of Mental Health. This particular agency has a budget of approximately $2 billion with mental health services provided throughout the state by 23 hospitals. This individual was quoted as saying "[my] role isn't to treat patients. My role is to organize a community in which treatment is given." We fully subscribe to this view of what a health policy chief's role should be.

VETERANS OF FOREIGN WARS OF THE UNITED STATES

THE EXECUTIVE DIRECTOR
WASHINGTON OFFICE

STATEMENT OF

COOPER T. HOLT, EXECUTIVE DIRECTOR
WASHINGTON OFFICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

WITH RESPECT TO

UPGRADING THE VETERANS ADMINISTRATION TO CABINET LEVEL

WASHINGTON, D. C. DECEMBER 9, 1987

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Mr. Chairman, my name is Cooper T. Holt and it is my distinct honor to serve the more than 2.2 million members of the Veterans of Foreign Wars of the United States as their Executive Director of the VFW Washington Office. At the outset, I would like to commend you for holding this hearing, demonstrating your concern for our nation's veterans.

In my 25 years in Washington as a veteran's advocate, I have seen many bills introduced to make the Veterans Administration a cabinet department. For 25 years, I have longed to see the Veterans Administration gain the recognition and status it so richly deserves. Today, with the House of Representatives overwhelmingly passing H.R. 3471, and by the mere fact of your conducting this hearing, we are closer than ever before in achieving cabinet level for the Veterans Administration.

Mr. Chairman, there are many compelling reasons for making the Veterans Administration an executive branch department. The VA is currently the largest independent agency and employs the second largest number of personnel

VFW MEMORIAL BUILDING ● 200 MARYLAND AVENUE, N.E. ● WASHINGTON, D.C. 20002 - 5799 ● AREA CODE 202-543-2239

in the federal government. The VA serves a more diverse cross section of our nation's population than any other department or agency. These individuals, consisting of nearly 28 million veterans along with their dependents and survivors, comprise approximately one-third of the nation's total population. In serving this special segment of our society, the VA has exhibited an extraordinary degree of proficiency and dedication. While the federal budget has increased 200 percent over the past 12 years, the VA has been able to provide for an ever increasing demand with a mere 65 percent increase over the same time frame. Federal outlays for veteran programs have decreased by almost half to 2.6 percent over the past decade. What is remarkable, Mr. Chairman, is that the VA has been able to achieve this high level of proficiency with the VA Administrator only having limited access to the President and only communicating indirectly with the President through a White House staffer. Upgrading the Veterans Administration to cabinet level will rectify this totally unacceptable situation.

The VA administers a number of programs that contribute directly to the welfare of this nation's veterans and the national economy. By operating the largest independent medical system in the free world, the VA has a direct impact on all phases of medical care and research which take place in this country. The importance of the Veterans Administration was reaffirmed on November 21, 1983, with the passage of Public Law 98-160, the "Veterans' Health Care Amendments of 1983," which contains the sense of the Congress that the Veterans Administration should be made a cabinet level department.

We would like to point out that by upgrading the VA to cabinet level does not in any way constitute an expansion of the current bureaucracy. And, while many varying cost estimates have been advanced aside from transitional expenditures, the cost associated with such an action would be insignificant. However, it would have the positive effect of providing better representation to America's veterans and their survivors and dependents. The Veterans of Foreign Wars firmly believes that America's veterans truly deserve to be heard at the highest level of the American government.

In closing, Mr. Chairman, I would point out we do not pretend to be experts in government reorganization. However, we do have expertise in the mandates of the Veterans Administration. We are here today to pledge our strong support in realizing the VA's smooth transition from an independent agency to a federal department. We trust the President would continue to call upon us to make recommendations as to the presidential appointments which would be required under legislation providing for the upgrading of the VA to cabinet level. As in the past, our main concern will continue to be that the most qualified individuals be nominated and placed in positions to serve our nation's veterans.

Again, the VFW would like to thank you for holding this hearing and we would encourage this distinguished Committee to report to the full Senate in a timely fashion, a bill which would elevate the Veterans Administration to a federal department.

Thank you.

Statement of

The American Legion

1608 K STREET, N. W.
WASHINGTON, D. C. 20006

by

E. PHILIP RIGGIN, DIRECTOR
NATIONAL LEGISLATIVE COMMISSION
THE AMERICAN LEGION

to the

COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

on

ELEVATING VA TO DEPARTMENT-LEVEL STATUS

December 9, 1987

Mr. Chairman and Members of the Committee:

The American Legion is pleased to have this opportunity to present its views on the subject of designating the Veterans Administration as an Executive Department of the federal government. The American Legion has been strongly in favor of establishing VA as an Executive Department for many years, and has on numerous occasions so stated to Congress and the President. Our most recent expression on this matter was in the unanimous adoption of Resolution No. 487 by the Delegates to The American Legion's 1986 National Convention. A copy of that resolution is attached to this statement.

We are pleased that the Committee has proceeded to actively consider this question. And we are particularly encouraged by recent House action to overwhelmingly approve legislation in that body which pursues the same goal.

While expressing our official support for elevating VA, we believe that justification for such action has existed for many years. The Veterans Administration potentially serves 45% of the nation's total population, probably the largest single constituency within that population. There are very few families in the nation which have not been affected by the military service of one or more of their members. Of course, this derives from the fact that all of our nation's wars have been fought by citizen soldiers, who have consistently responded to the call of the elected government to defend the national interest in the armed forces. These citizen soldiers, sailors and airmen clearly deserve to be represented in the highest councils of the government -- a status that would be provided them through a Department of Veterans Affairs.

Historically, the American people have given special attention to veterans, beginning with certain privileges accorded the veterans of the American Revolutionary War and extending through the Civil War to the present, with special programs designed to assist the readjustment and rehabilitation of the men and women who served in Vietnam. This expression of concern for veterans lends significant weight to the idea of recognizing the importance of the veteran population through its representation in the President's Cabinet.

We believe that the lower status of the VA as an independent agency deprives veterans of a voice that should be heard when important decisions are being made, affecting veterans among other elements of the total population. We are informed that the White House consults with the VA Administrator on matters relating to veterans programs. But if the Administrator was a member of the Cabinet, then that officer could participate when national policy making is in the conceptual stage.

We are convinced that elevating the VA Administrator to a position where that officer will have direct access to the President and participation in the high councils of government is of great consequence to veterans. When matters affecting the allocation of federal resources are being discussed by top level presidential advisors, veterans want to be heard and they want to know that they are being heard. Veterans believe they are entitled to participate -- directly -- in the decisionmaking process.

We would note, parenthetically, that veterans are currently represented by full Cabinet ministers in many countries around the world. Obviously, the United States doesn't conduct its business based upon what other countries do, but this point does warrant consideration since it demonstrates the special treatment and attention generally accorded to veterans.

As this Committee knows, veterans programs now cost about $27 billion a year in public funds. VA employs more people than any branch of government other than the Defense Department. More than $14 billion per year are paid out to veterans and dependents in direct cash transfer programs. And, as we all know, VA operates the largest single, comprehensive health care program in the nation and possibly in the entire world.

There are those who argue that maintaining a collection of benefits and services specifically for veterans is unnecessary. Some who voice this opinion have publicly opposed in recent weeks the creation of a Department of Veterans Affairs. We feel that such statements overlook a very obvious and very basic fact. Compensating veterans is undeniably a federal obligation, one that recognizes previous service to the nation.

Other federal departments have been created to manage programs and policies which are determined to be of national significance. At least five of them are elements of general federal government growth over the past 50 years, a period during which Americans have increasingly relied upon the federal government to protect their rights, to provide direct services or to focus state and local activities in matters such as job training, housing and health care.

In most cases, eligibility for these services or benefits requires nothing more than to be an American citizen. In other cases, even citizenship is not a prerequisite. The benefits and services provided by these five departments, and augmented by other departments and agencies, are primarily offered to those who are physically, emotionally or economically disadvantaged. Certainly, veterans who suffer similar disadvantages as a direct or indirect result of their military service deserve no less.

Some opponents of the idea of creating a Department of Veterans Affairs have argued that it contributes to federal government growth. We are convinced that no proponent of the new Department -- either in Congress, the administration or the veterans community -- is contemplating any expansion of the federal government. Delivery of veterans services, which already involves more than 200,000 federal employees, will not require an infusion of new resources simply because a Department of Veterans Affairs is created.

Resources have been and continue to be a critical factor in The American Legion's longstanding commitment to elevate VA. Although we don't intend to use the new Department as a device to justify more money and people, we do feel that a Secretary of Veterans Affairs is essential to effectively compete for those limited resources that are available.

Mr. Chairman, we realize that this Committee's responsibility in this matter is two-fold. After determining that a Department of Veterans Affairs is warranted, this panel must determine the appropriate organizational structure for such a Department. Your goal, like ours, will be to create a department which efficiently and compassionately meets the needs of the veterans community. To assist you in that effort, you have several pending bills to include S. 533 and H.R. 3471. The House measure, of course, has undergone committee scrutiny and its approval in the House was by a ratio of 25 to 1.

You, of course, are aware that a wealth of experience in the delivery of veterans benefits and services is available from veterans organizations and both Veterans Affairs Committees in Congress. We are confident that you will be consulting these sources of information as your committee goes about the business of evaluating the pending bills during the process of determining the appropriate organizational structure of the new Department.

While commending this Committee again for its decision to consider this matter in such a timely manner, we wish to gratefully acknowledge the fact that several members of this panel have officially endorsed the proposal to elevate VA. Of course, this proposal continues to experience developing bipartisan support throughout the U.S. Senate.

Mr. Chairman, that concludes our statement. We will gladly respond to any of the Committee members' questions.

THE AMERICAN LEGION
SIXTY-EIGHTH ANNUAL NATIONAL CONVENTION
CINCINNATI, OHIO
SEPTEMBER 2, 3, 4, 1986

RESOLUTION NO.:	487
CONVENTION COMMITTEE:	VETERANS AFFAIRS AND REHABILITATION
SUBJECT:	SUPPORT LEGISLATION TO AMEND 38 USC, SO AS TO MAKE THE VETERANS ADMINISTRATION AN EXECUTIVE DEPARTMENT

WHEREAS, The Veterans Administration is an independent agency in the Executive Branch of the Government, especially created for the administration of laws relating to the benefits provided veterans, their dependents, and survivors at the cost of $27 billion per year; and

WHEREAS, The Administrator of Veterans Affairs is the head of the Veterans Administration and is appointed by the President, by and with the advice of the Senate; and

WHEREAS, The Administrator under the direction of the President, is responsible for the proper execution and administration of all laws administered by the Veterans Administration and for the control, direction, and management of the Veterans Administration; and

WHEREAS, The Administrator serves as the advisor on veterans affairs to the President of the United States; and

WHEREAS, There is a veteran population in civilian life of approximately twenty-eight million; and

WHEREAS, Veterans and their dependents and survivors of deceased veterans bring the potential beneficiary population up to about 45 percent of the population of the United States; and

WHEREAS, There is need for consistency and common purpose between the many benefits and rights established by the Congress of the United States for veterans of service in the Armed Forces and for their dependents and for the survivors of deceased former members; and

WHEREAS, The American Legion believes there should be a clear cut channel by which the Administrator of Veterans Affairs can regularly supply facts and counsel to the President and, in turn, receive the President's guidance and support; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Cincinnati, Ohio, September 2, 3, 4, 1986, That The American Legion support legislation to amend 38 USC so as to make the Veterans Administration an Executive Department.

STATEMENT
OF
JOHN F. HEILMAN
NATIONAL LEGISLATIVE DIRECTOR
DISABLED AMERICAN VETERANS
BEFORE THE
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
DECEMBER 9, 1987

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the over 1.1 million members of the Disabled American Veterans and its Ladies' Auxiliary, may I say that it is indeed a pleasure to present the views of our organization on legislation that proposes to elevate the Veterans Administration to a cabinet level department within our Federal Government.

At the outset, Mr. Chairman, I want to express the DAV's deep appreciation to you and to Ranking Minority Member Senator Roth for the expeditious manner in which you have scheduled today's proceedings. Your decisive actions are truly indicative of the strong support and advocacy that you have always given to our nation's veterans and to their federal system of benefits and services.

Mr. Chairman, the DAV is highly supportive of conferring cabinet level status upon the Veterans Administration. Resolutions to this effect have been approved by our membership in National Convention assembled for the past seven consecutive years.

In addition to the support of the DAV and all major veterans' organizations, I am sure you are aware that this objective enjoys the overwhelming, bipartisan support on the part of the Congress as well...witness the vote -- 399 for, 17 against -- recently given by the full House of Representatives to H. R. 3471; the 38 cosponsors to S. 533, also presently pending in this body; and the past vocal sentiment expressed by the entire Congress, as contained in Title V of Public Law 98-160, wherein the President was urged to designate the VA Administrator as a member of his cabinet.

And, Mr. Chairman, considering the breadth and depth of VA programs and the effect they have had on the economic and social institutions of our country, it is no wonder that the Congress has decided that this independent agency -- which has the potential to materially effect the lives of almost one third of our nation's population -- should be given its proper place in the highest levels of our government.

Consider, if you will, that the VA presently:

* Has an annual budget ranked fifth among existing Federal Departments and is larger than five existing Departments combined.

* Ranks second only to the Department of Defense in number of personnel -- over 253,000 employees.

* Operates the largest health care system in the free world, employing over 12,000 physicians and over 35,000 registered nurses.

* Administers one of the largest home loan guaranty programs in the Federal Government, having extended some $263 billion in guarantees since 1944.

* Provides almost $15 billion annually in compensation and pension benefits to some four million veterans and their survivors.

* Operates a gigantic life insurance program which presently provides some $2 billion in coverage for 7.2 million veterans and military personnel.

* Administers a variety of education and training programs that have rehabilitated and educated over 18 million beneficiaries since World War II.

* Operates a 10,000 acre National Cemetery System consisting of 111 cemeteries in 38 states and the territory of Puerto Rico.

And yet, Mr. Chairman, as overwhelming as these statistical data may be, there exists another, equally compelling argument for elevation of the VA to cabinet level rank.

Quite simply, it can be found in the VA's mission and in its motto -- "To care for him who shall have borne the battle, and for his widow and his orphan."

Conferring cabinet level status upon the VA will allow the new Secretary of Veterans Affairs to promote -- and defend -- VA programs from a vantage point of strength. Budget submissions and appeals no longer will be discussed with lesser minions of the Office of Management and Budget, but with the Director of OMB himself. Access to major policy positions discussed in the intimacy of cabinet meetings will be achieved and possible threats to VA program integrity will be confronted before their implementation.

In short, the veterans of this nation will have an important avenue of access to the Executive Branch of our government commensurate with the sacrifices they have made for our country in time of peace and in time of war.

S. 533 and H. R. 3471

Mr. Chairman, the VA cabinet level proposals now pending in the Senate -- the House passed bill, H. R. 3471 and S. 533 -- quite obviously contain the same fundamental objective. They differ, however, in terms of their "focus on detail" as to just how and in what fashion this objective should be carried out.

For example, S. 533, aside from its succinct provision that the Veterans Administration shall be an executive department in the Executive Branch of our government, goes hardly beyond providing for additional technical and conforming amendments.

H. R. 3471, on the other hand, as reported out of the Government Operations Committee and approved by the full House, in addition to the fundamental step of conferring cabinet level status to the VA, contains provisions which would:

* Provide for Presidential appointment and Senate confirmation of a "Secretary of Veterans Affairs" and a "Deputy Secretary of Veterans Affairs" (comparable to the current positions of VA Administrator and Deputy Administrator) to head the new Department.

* Designate the VA's current Department of Medicine and Surgery and Department of Veterans Benefits as the "Veterans Health Services Administration" and the "Veterans Benefits Administration," respectively, within the new Department.

* Provide for Presidential appointment and Senate confirmation of a "Chief Medical Director" and a "Chief Benefits Director" to head, respectively, the Veterans' Health

Services Administration and the Veterans Benefits Administration. Such appointments would be for a period of four years with reappointment for successive four year periods permissible.

* Provide for Presidential appointment and Senate confirmation of eight "Assistant Secretaries" of Veterans Affairs to perform such functions as the Secretary of Veterans Affairs shall provide, one such function being the administration of the National Cemetery System and State Cemetery Grant Program.

* Provide for the Office of General Counsel within the new Department to be headed by a General Counsel who shall be appointed by the President and confirmed by the Senate.

* Provide that the Office of Inspector General of the Veterans Administration (as established in accordance with the Inspector General Act of 1978) shall be designated as the Office of Inspector General of the Department of Veterans Affairs.

Mr. Chairman, there is an obvious reason to explain the differences in scope of the two pending bills.

S. 533, like its identical counterpart H. R. 1707, was introduced early in the First Session of this Congress and, indeed, bills identical in content have been introduced in many prior sessions of Congress. They have been the legislative vehicles used to draw attention and focus upon this issue.

They have served their purpose admirably.

The broad provisions of H. R. 1707, after scrutiny and consideration by the House Government Operations Committee, have resulted in the more detailed provisions of H. R. 3471. Similarly, we expect that this Committee, if it should decide to go forward with this legislation, will also give its detailed imprint to the pending Senate bill.

We in the DAV, while we gave strong support to the House passed bill, are certainly not "locked in" to the exact language and statutory requirements of its various provisions. At the conclusion of these hearings this Committee, I am certain, shall make its own valuable contributions toward the shaping of a finalized bill that, hopefully, will clear the Congress.

We are confident that this will be achieved, Mr. Chairman, for this most important objective can certainly be accomplished without requiring any significant increase in governmental expenditures, enlargement of the federal bureaucracy, or appreciable change in the internal structure of the Veterans Administration.

In conclusion, Mr. Chairman, I respectfully and strongly urge that you and the members of this Committee act favorably upon this most important legislation. I do thank you for extending our organization the opportunity to appear here to today and will be pleased to respond to any questions you may have.

* * *

PVA
PARALYZED VETERANS
OF AMERICA
Chartered by the Congress
of the United States

STATEMENT OF

R. JACK POWELL, EXECUTIVE DIRECTOR

PARALYZED VETERANS OF AMERICA

BEFORE THE

SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

CONCERNING

ELEVATION OF THE VETERANS ADMINISTRATION

TO AN EXECUTIVE DEPARTMENT

DECEMBER 9, 1987

Mr. Chairman and Members of the Committee, it is an honor for me to speak today on behalf of the members of Paralyzed Veterans of America (PVA). It is with pleasure that PVA present its views concerning establishment of the Veterans Administration as an Executive Department.

For many years PVA has been in the forefront in organizing interest and support for this most essential and monumental step. We commend you, Mr. Chairman, and Senator Roth, the Ranking Minority Member of this Committee, for your recognition of the merits of such a proposal and for the promptness by which you have convened this hearing. There are many other Members of the Senate who support the elevation of the VA to a Cabinet level department and we take this opportunity to state our appreciation to them as well.

801 Eighteenth Street, N.W., Washington, D.C. 20006 (202) USA-1300

We would like to extend special thanks and praise of the highest regard to Senator Strom Thurmond who has consistently demonstrated staunch support and commitment to the successful outcome of S. 533 and similar measures introduced in previous Congresses. Senator Thurmond has gained the support of 39 cosponsors to date on S. 533. We respectfully urge all Members to follow suit.

The rationale surrounding this issue is well documented. There are not, in our view, any solid or compelling arguments to oppose this issue. Tenuous arguments such as those brought forth in recent editorials simply collapse under close examination and thoughtful deliberation.

At PVA, we feel the VA should be elevated to Cabinet level, not only to recognize the lifetime sacrifices by those who have served our country, but to improve the management and efficiency of the Agency. As an example, PVA has in previous Congresses, in order to help reduce the federal deficit, supported a freeze to cost-of-living adjustments to veterans' entitlements as long as the freeze was across all federal programs. Had the Administrator for Veterans Affairs been able to communicate this to other Executive Departments, perhaps the nation would be closer to its goal of deficit reduction.

The VA is a national resource which is involved in health care, defense, and many aspects of our national economy. The Agency and the benefits it administers are an integral part of the social fabric of our nation. During times of budgetary constraint, it makes good management sense to have the VA in the Cabinet, so America's highest policy makers can share the expertise available from this pervasive Agency.

The VA, directly and indirectly, impacts virtually every American family. It already is larger than most cabinet-level departments--State, Interior, Labor, Commerce, Education, Transportation, Energy, Justice, and Housing and Urban Development. The Agency has an annual operating budget of more than $27 billion and administers the largest health care system in the Free World, including 172 hospitals, 229 out-patient clinics, 117 nursing homes and 16 domiciliaries. The VA ranks second only to the Department of Defense in number of personnel. In addition, the VA administers one of the largest compensation and pension programs in the United States to veterans, their survivors and dependents, with payments of $14.3 billion in Fiscal Year 1987 alone.

And if these statistics are not compelling enough, consider that the VA has as its mission the provision of medical care to our nation's veterans and is the first line backup to the Department of Defense during times of national emergency. Consider also some of its innovative programs which affect millions of Americans, such as the GI Home Loan and the GI Bill Programs, which have improved the economy and have provided educational and training opportunities for millions of citizens.

The VA is the largest trainer of health care manpower in the U.S., with nearly half of the physicians in the U.S. today having received all or part of their training through the VA.

Further, the Agency's award-winning, medical research program, second in size only to the National Institutes of Health, is working to confront the AIDS crisis and the mysteries of Alzheimer's Disease with the same intensity it used to find the cure for tuberculosis and develop the heart pacemaker.

In addition, the VA administers America's largest vocational rehabilitation and training programs, which have led to ever-increasing job opportunities and employment for veterans with disabilities.

Insurance policies offered by the VA would qualify the agency to be one of America's largest insurance companies.

As America's Executive Branch decision-makers contemplate the difficult decisions they face today, the head of the Veterans Administration should be at the Cabinet table with them...and contemplating the best way in which to do just that, is why we are here today.

Under the skillful leadership of Representatives Brooks, Horton, Montgomery, and Solomon, H.R. 3471, a bill with the same intent, has passed overwhelmingly in the other body. Its passage suggests that there is a growing feeling nationwide in support of this legislative initiative. President Reagan, on the eve of Veterans' Day, voiced his support and commitment toward establishing the VA as a Cabinet level department. PVA wants to assure this Committee of our solid commitment to this undertaking and our availability in working towards ultimate and timely passage and enactment of this measure into law.

Having established a strong case for why the VA should be elevated to an Executive Department, it is important to consider the ramifications to the organizational structure of the VA that may occur as a result.

PVA believes that the current structure of the VA is generally sound. H.R. 3471 is, for the most part, consistent with the VA's current organizational design. It is traditional, however, when elevating an agency to Executive level that there occurs, simultaneously, an increase in the number of political appointees. The power of the Executive office mandates that the President who is chosen by the people, in turn, is able to choose who "sits" with him or her. Historically, that is how the American political and governmental systems work. The question is ... will it work for the VA?

At the present time, there are only two Presidentially appointed positions, other than the Inspector General, in the VA. The number of political appointees is also limited. We understand that there are four noncareer Senior Executive Service (SES) and ten "schedule C's." For an agency the size and scope of the VA, this is highly uncharacteristic. As an example, PVA has been informed that the Department of Housing and Urban Development, an agency much smaller than the VA currently has 13 authorized Presidential Appointees, 28 noncareer SES and 134 "Schedule C."

One might argue that an agency that is relatively "nonpoliticized" with a basically career civil service structure would be experiencing stability, consistency and teamwork. Those who have maintained a close relationship to the VA over the years recognize that this is not always so. The VA, for one example, has had five Chief Medical Directors (CMD) over the last ten years and three of these served in the last five years.

From PVA's perspective, the roles of CMD and Chief Benefits Director (CBD) are the most essential and consequential operating positions within the VA. It is in these areas that service to the nation's veterans is implemented. The ideology and policy objectives of these two individuals have direct impact on individual veterans across the country. The CMD & CBD are clearly defined programmatic operational positions. As such, structurally, they should remain distinct from the roles of the Assistant Secretaries whose positions are managerial in the administrative sense. In military terms this is known as line vs. staff.

The complexity of this issue is founded in the realization that we are not merely attempting to place another chair at the Cabinet table; rather, we are elevating the political function and operational visibility of an entire agency. PVA is committed to working with this Committee, as well as the Veterans' Affairs Committees toward a solution which best meets the needs of the constituency which we collectively serve.

Should the CMD and CBD become politicized? To that, PVA can only answer - they already are. The appointments of CMD and CBD are now and have always been political, and not one appointment has been made, to our knowledge, without prior White House approval.

PVA believes that the formal nomination by the President with confirmation by the Senate for these positions will serve to provide more consumer input into the selection process and subsequent closer scrutiny of the candidates. It will provide a public forum in which PVA, and other organizations, can make their views known. The process will allow for greater baseline assessments of the candidates' qualifications and intentions, and provide statements for the public record for which he or she will be held accountable in the future.

PVA fully supports Presidential appointment and Senate confirmation for these positions. We believe this process will increase the visibility, and accountability of the candidate and help ensure that only the most eligible and appropriate individuals are named and confirmed.

It would be, in our view, detrimental to elevate the political status in the areas of Agency management and at the same time maintain the current status of the two individuals directly responsible for implementation of the Agency's programs. Because of the nature and significance of the roles of CMD and CBD, PVA believes it essential that they maintain a direct link to the Secretary of Veterans' Affairs. Without Presidential appointment, the CMD and CBD would be at an apparent level below that of the Assistant Secretaries. Therefore, not only does PVA support the nature of these political appointments, we believe that they should be elevated to the level of Undersecretary. Although the accompanying report on H.R. 3471 suggests that the CMD and CBD would function as Undersecretaries, PVA believes they should also have the title. This way, there will be no confusion as to who is responsible to whom and, most importantly, these individuals will not be excluded from the policy process of the Agency.

PVA has always played an active role by way of an informal search committee when candidates were sought to become the CMD. It is our hope that the role of veterans service organizations, in the selection process, will become more formalized as a result of this Committee's legislation designed to upgrade the VA and be applicable to future CBD's as well.

We believe that the legislation agreed to in this Committee should expand on the language in H.R. 3471 to include the requirements that the individuals appointed for the positions of Undersecretary for Medical Affairs and Undersecretary for Veterans Benefits be individuals who:

1) Are selected solely on the basis of their integrity and demonstrated ability to perform the functions for which appointed;
2) that in the case of the Undersecretary for Medical Affairs, that the person be a physician with demonstrated ability and skill, both in clinical medicine and management of a large medical system;
3) that in the case of the Undersecretary for Veterans Benefits that the person have demonstrated ability in administering programs within the Department of Veterans Benefits or similar programs, and finally;
4) that preference be given to a veteran if all other eligibility requirements are met.

With regard to the eight Assistant Secretaries as proposed in H.R. 3471, PVA makes the following comments. We believe that the 10 jurisdictional areas enumerated in H.R. 3471 may be appropriate positions for Presidential appointment and should be functions of Assistant Secretaries. However, if this Committee believes that these same functions, or fewer, could be effectively executed under the direction of fewer individuals, PVA would concur.

There is however, one very important exception. PVA believes, for reasons discussed earlier, that it is imperative that the organizational structure of the VA distinctly separate programmatic implementation positions (CMD & CBD) from administrative management positions (Assistant Secretaries).

For this reason PVA believes it is inappropriate for one of the Assistant Secretaries to be assigned all functions regarding the National Cemetery System and State Cemetery grant program. PVA views the Department of Memorial Affairs as a benefit program. Therefore, it should be maintained as separate and distinct from administrative management. In order to maintain consistency in the VA organizational structure, the Department of Memorial Affairs should be headed by an Undersecretary. PVA's sole concern is that the Department of Memorial Affairs be distinct from administrative management.

In conclusion, PVA believes that the internal organization of the VA as a Cabinet level department should reflect continuity and similarity with other Executive Departments. At a time when we are striving for an equal voice and representation before the President, and within the Administration, the VA can ill afford to function in isolation.

PVA does not believe that the organizational structure of the VA, as described above, will alter or have a negative effect on the mission of the

VA or its program implementation. We are certain that such changes will stimulate better and more cohesive management.

PVA believes that elevation of the VA to a department is one of the most significant changes necessary for the improved operation of the Agency. This action would permit the Administrator, as a Cabinet Secretary, to better represent the VA's constituency while, at the same time, interact with other Cabinet Members and the President to strengthen and preserve the integrity of all government programs and policies for the benefit of the Nation as a whole.

Mr. Chairman, I will be pleased to respond to any questions which the Committee may have.

Statement of

MORGAN S. RUPH
AMVETS National Executive Director

Before The

SENATE GOVERNMENTAL AFFAIRS COMMITTEE

On Recent Proposals To Elevate The Veterans Administration To A Cabinet-level Department

10:00 a.m., December 9, 1987

Room 342, Dirksen Senate Office Building

Mr. Chairman, AMVETS is pleased to present our views on the necessity and appropriateness of elevating the Veterans Administration to a cabinet level department of the Federal Government.

At the outset, Mr. Chairman, I want to express AMVETS appreciation to you and Senator Roth, the Ranking Minority Member of this Committee for scheduling these hearings in such an expeditious manner, as this important issue affects our nation's veterans and the benefits they have earned.

The current actions now being taken in both the House of Representatives and the Senate with regards to elevating the Veterans Administration to a cabinet level position is enthusiastically supported by AMVETS. Such support was clearly demonstrated by our membership during our 43rd National Convention where once again, by unanimous ballot the leadership of our organization was mandated to seek, and support such legislation that would achieve this goal.

I should like at this time to point out the obvious reasons why the current governmental status of the VA is inadequate.

The Veterans Administration is larger than the Departments of State, Interior, Labor, Commerce, Education, Transportation, Energy, Housing and Urban Development, and Justice. It ranks second only to the Department of Defense in the number of federal employees, and the VA's budget ranks fifth among existing Federal Departments.

The VA administers the largest health care system in the free world. Its Compensation and Pension Program has an annual expenditure in excess of $14 billion to some four million veterans and their survivors.

The VA Home Loan Guaranty Program is one of the largest housing endeavors in the Federal Government, having extended some $263 billion in guarantees since its inception.

The educational programs the VA administers has assisted over 18 million beneficiaries and has made the single most important impact on higher education in this country.

The VA is also a major provider of insurance to those veterans who may otherwise be uninsurable.

The VA also operates a National Cemetery system to insure that our nation's veterans will not end up in Paupers Field to be forgotten by those who owe them so much.

When we hear the alarmest come forth and say we support the basic idea of elevating the VA to a cabinet level department but we must be careful that the veteran constituency does not suffer any adverse ramifications, we wonder about their real concerns. The current hue and cry seems to be, if the VA is elevated to a cabinet level department without many restrictions being placed on who and how many Presidential appointments and Senate confirmations will be allowed that we will have a "Good Old Boy" network running the VA. One wonders, if this is the case then are the other cabinet level departments within the government in fact serving their respective constituents or are there a bunch of "Good Old Boys" running the Departments of Defense, Labor, and Justice, etc.

If the VA is to achieve cabinet level status then it would seem logical that it would have to play by the same rules that govern the other cabinet level departments. If the VA is to be a cabinet level department, as it should be, then it should be similar in nature to the other departments and not set up as a separate and unique entity unto itself.

AMVETS is in agreement with much of the structure and language as it is spelled out in H.R. 3471 but also realizes there may be a need to expand on the language as pertains to the requirements and qualifications of the two most important individuals in the system; that being the Chief Medical Director and the Chief Benefits Director. When these individuals are considered for appointment as Undersecretaries they should have a proven track record in their particular field and when at all possible should be a veteran of the armed forces of the United States.

Further, AMVETS feels that having more public scrutiny of the various heads of departments within the VA will in fact provide a greater basis for accountability as the individuals perform their respective functions within the VA system.

In conclusion Mr. Chairman, may I state that AMVETS believes that elevation of the VA to a Department will better serve our nation's veterans as well as improve the overall operation of the agency.

RESPONSES OF MR. C. WILLIAM FISCHER TO WRITTEN QUESTIONS SUBMITTED BY SENATOR MITCHELL

1) Your written testimony (page 4) indicated that the panel did not make detailed assessments of either:

> the current efficiency with which existing programs in the VA are delivering services or
>
> the merits of or problems with program policy as it exists in current law or regulation.

After your review of the VA, it it your impression that the VA is efficiently providing services and benefits to veterans?

2) You used the term "extraordinary restrictions" to describe the sample of legislative constraints on management flexibility by the Administrator listed in Appendix D.

a) The list does not include the requirement for the VA to maintain a regional office in each state discussed elsewhere in your testimony. With that exception, is the list of restrictions complete, or are there others which you might recommend the Committee review?

b) Are these types of legislative constraints unique to the VA or are you aware of similar ones affecting the management of other departments or agencies?

3) Your testimony (page 21) said the Panel believed the impact upon accountability from elevation would be negligible.

Wouldn't the increased Senate confirmation of upper management envisioned in S 533 and HR 3471 tend to increase agency accountability?

4) The Panel says it finds little evidence to support elevating VA to a cabinet department in terms of improving the agency's ability to provide services and benefits, increasing public or political support, or in increasing the utility of the cabinet.

Questions
NAPA Witness
Page Two

a) Would the Panel view the chief benefit of elevation as a vehicle to make structural, management or programmatic changes to the VA?

b) Would the panel recommend inclusion of a Presidential commission or other vehicle for an in-depth analysis of veterans' programs and benefits and the agency structure?

WRITTEN QUESTION FOR RECORD FROM SENATOR JEFF BINGAMAN

For Committee on Government Affairs Hearing of March 15, 1988, on the Establishment of the Veterans Administration as a Cabinet Department

QUESTION FOR:	Mr. C. William Fischer, Chairman of Panel From the National Academy of Public Admistration
QUESTION:	Was the panel unanimous in its conclusions on whether the Veterans Administration should be elevated to a cabinet department? If not, please provide the viewpoints of those in disagreement.

1.) I have no informed opinion on that subject. My personal general impression, but not a conclusion of the panel, is that services are being effectively delivered. The management efficiency achieved in delivering these services should be the subject of detailed and through service delivery assessments which the panel had neither the charge nor the resources to carry out.

2.) (a.) The list is complete to the best of our knowledge. However, we recommend a special Presidential or national commission to review in depth the programs and policy as well as the efficacy and efficiency of all of the VA programs. Such a Commission should mount an exhaustive study of impediments which may exist -- both legislative and administrative.

(b.) These types of legislative constraints are not unique to the VA. They are found in the law pertaining to many other agencies but, to my knowledge, not with the intensity and particularity present in the VA legislation. This seems incongruous, given the broad national policy consensus concerning the Veteran's Administrations programs.

(3.) I do not believe so. The strong oversight authority of the Congress; the unparalleled day-to-day observation of detailed benefits and service operations by Veteran's service organizations; and, the Inspector General legislation, not to mention the G.A.O. operation, are so strong as accountability mechanisms that I believe Senate Confirmation would be "gilding the lily".

(4.) (a.) Only if such structural, management or programmatic changes were to be recommended on the basis of a careful in-depth review of VA programs mandated in the organic act elevating the VA.

(b.) Yes.

Question of Senator Bingaman:

The answer is that the panel did not reach a conclusion on whether the Veteran's Administration should be elevated to cabinet department status. By agreement with the Committee leadership we chose to develop and provide the Committee and the Congress with criteria which the panel believes are rational and otherwise meritorious for use by the Members of Congress in reading that conclusion. We did provide our comments on how these criteria fit the instant case of the VA.

As to the viewpoints of the individual panel members, I do not know with certainty as the panel decided explicitly not to register the views of individual members.

My own personal view is that the stated benefits of elevation either already substantially exist for the VA or could be achieved without elevation and the disadvantages of elevation could then be avoided.

I am sure that Chairman Glenn could have the Committee Staff poll the panel upon your request but I am bound by the panel agreement not to register each member's individual views.

Statement of
Richard L. Fogel, Assistant Comptroller General
General Government Division

SUMMARY

GAO believes that significant changes are needed in the way the Veterans Administration is being managed, but that these changes should occur whether or not the agency is granted cabinet status.

VA is basically a decentralized organization with veterans' medical, compensation, and pension services being provided by field facilities throughout the country. To appropriately manage any large, decentralized organization, top management must have reliable information on each unit's output and the resources used to achieve that output. GAO reports have documented situations in which top managers were unaware of inefficient or poor quality services because they lacked complete, reliable, and accurate data and the incentives to use those data to improve service delivery.

For VA to overcome the problem of management inattention, the Deputy Administrator (or the Under Secretary if VA is made a cabinet department) should be responsible for the agency's day-to-day management. Program administrators in the central office and the field should be held more accountable for the efficiency and quality of the services they deliver. GAO supports the concept of subjecting the Chief Benefits Director and Chief Medical Director to Senate confirmation as one way to attain increased accountability.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to participate in the discussions about the possible establishment of the Veterans Administration as an executive department. My purpose is to discuss a basic problem at VA and how this problem might be addressed in the proposed legislation.

Our observations on VA's management are based on extensive programmatic work at VA as well as our reviews of general management activities at 12 other departments and agencies. These management reviews have highlighted common problems among the agencies, including the need for stronger top management leadership, better long-range planning, better information systems, and improved financial management. While we have not made a general management review at VA, our other work suggests that VA may have similar problems. Over the past 5 years, we have issued over 90 reports dealing with VA's medical facilities and resources, hospital computerization and quality assurance systems, compensation and pension issues, and financial management systems.

Overall, the problem we see is that VA's managers--at the Administrator's level and at the top of the major VA departments--have not exercised enough oversight of the field facilities that deliver benefit and medical services to veterans. As a result, top managers do not have reliable data about facilities' performance, do not have assurance that quality services are being provided, and do not know whether services are being provided as efficiently as possible. Our reviews have shown that various components of VA's health care quality assurance system were not being carried out effectively by the medical centers and that VA hospitals were not operating efficiently. In most cases, top VA management was unaware of the problems.

Making VA an executive department is not necessary to correct this problem, nor will it be a panacea. It could, however, present an opportunity to move toward a more active, involved, and accountable top management team. Whether or not this legislation is enacted, we believe that VA's top leaders should focus greater attention on the efficiency and quality of the benefit and medical services being provided to veterans.

GREATER ATTENTION ON MANAGEMENT NEEDED

A fundamental part of any management system should be the ability to monitor and evaluate program performance. This requires an information and measurement system to collect reliable, consistent, and comparable data on the units' output and the resources used to achieve that output. The availability of such data could enhance the assessment of managers' performance as it relates to the quality and efficiency of services provided by their units.

VA's philosophy has been to decentralize the management of its major service delivery programs to the Department of Medicine and Surgery and the Department of Veterans Benefits. This is appropriate for an organization in which the bulk of services are provided by facilities throughout the country.· However, decentralization without top management monitoring and oversight has often created situations in which top managers have little awareness of and control over how and how well basic services are being provided.

Over the past 4 years, several reports we have issued on Department of Medicine and Surgery programs have had top management inattention as an underlying theme. For example, we have reported that:

-- VA had not been effectively using the two systems it had to monitor whether its hospitals were using efficient patient management practices. As a result, 43 percent of the days of care provided by the seven VA hospitals we reviewed were medically unnecessary.

-- Medical centers did not report, through the appropriate quality assurance system, 86 percent of the more serious patient injuries. In addition, the Medical Inspector in the central office was not using available data to detect trends in underreporting.

-- VA complied with minimum criteria for supervision of surgical residents in only 34 percent of the 148 cases we reviewed. Central and regional office managers had not held hospitals accountable for monitoring supervisors' performance and reporting the results to headquarters.

-- Veterans' readjustment counseling centers were not following up to assure that veterans referred to other facilities received appropriate care. We recommended increased management oversight of centers, especially concerning the volume and quality of services provided.

-- The long-range planning efforts in the Department of Medicine and Surgery, begun in 1982, are among the better designed we have seen. However, the process was neither tied to the budget nor complemented by a strategic plan for implementation.

For an organization such as VA to effectively manage a large and diverse network of service providers, management must have well conceived and designed information systems to give it timely, complete, and accurate cost and workload performance data. Our work on VA's financial management and information systems indicates that although progress has been made in developing appropriate systems, more remains to be done.

In recent years, VA has developed a system for measuring the output of its hospitals and other health care facilities. It is also developing a system to generate data on the cost of the care given to each patient and by broad categories of diseases. While these improvements will give top managers the data necessary to assess facilities' performance, the managers should be committed to using the data to improve the efficiency and quality of the agency's services to veterans.

While we have pointed out information resources management problems over the past 3 years, we believe VA is improving. The appointment of the Associate Deputy Administrator for Management as the agency's senior official responsible for managing its information resources has helped. However, top VA management should monitor the extent to which VA initiatives in this area are justified by appropriate cost/benefit analyses.

Good financial management systems can give top VA managers the information they need to manage day-to-day operations and better understand key issues, the available policy choices, and the financial consequences of those choices. They could also help VA assure that resources are properly controlled and heighten financial accountability.

Over the past 3 years, we have issued reports that suggest VA's financial data were not adequate for use in improving program management. For example, we have reported that:

-- VA's financial systems were being developed without a cohesive plan to integrate its various components.

-- VA's technology was 20 to 30 years behind the times. As a result, VA's financial reporting systems did not include any exception reporting.

-- VA's financial systems did not have adequate internal controls. Hence, VA could not be assured that the financial data were reliable.

Specifically, in 1986 we reported that VA's financial management systems were not recording and reporting per-hospital and per-patient cost data. Consequently, VA officials were using unreliable medical program cost estimates when developing plans, formulating budget requests, and executing approved budgets. Although VA has begun improving these systems, this is another area that top management should focus on.

Another example of an area needing increased top management attention is VA's reporting under the Federal Managers' Financial Integrity Act. In its 1987 report to the Congress and the President, VA reported no new material internal control weaknesses. During the year covered by that report, however, we and VA's Inspector General brought to top management's attention numerous weaknesses affecting disability recipients, the quality of services rendered to veterans, and VA's own administrative activities.

SUGGESTIONS FOR IMPROVEMENT

We believe that many of VA's management problems can be traced to the agency's philosophy of decentralization, accompanied by inadequate commitment by top managers to measure facility performance and hold managers accountable for providing efficient, high-quality services. To help overcome this problem without sacrificing the benefits of a decentralized agency, we believe the Deputy Administrator (or, in a Department of Veterans' Affairs, the Under Secretary) should be made responsible for managing the agency's operations. This is not the case today.

We have begun to see more focus on management issues at other agencies where responsibility for agency management has been assigned to a top official. At the Department of Labor, for example, each unit has identified a set of goals and objectives that are consistent with three broad goals the Secretary set for the Department. The Deputy Secretary, now responsible for managing the Department, monitors the units' performance against those goals and objectives. Similar top level emphases on management are occurring at the Internal Revenue Service and the Social Security Administration.

We support the concept of the House-passed legislation (H.R. 3471) that would place the Chief Benefits Director and the Chief Medical Director and their organizations at high levels within the proposed Department of Veterans' Affairs. The bill would rename the organizations as "Administrations", and their heads would become level 3 executive officials, with their appointments being subject to the advice and consent of the Senate. We support this concept because it would give the Senate, particularly the Committee on Veterans' Affairs, an opportunity to more closely scrutinize the nominees' qualifications as managers and share with them the Committee's views on key issues and its expectations for what the nominees should do in their new positions.

We suggest the Senate enhance one aspect of the House bill. In addition to requiring the nominees for Chief Medical Director and Chief Benefits Director to be appointed on the basis of "demonstrated ability in the medical profession" and "demonstrated ability in administering [benefits] programs," they should have some demonstrated managerial ability. For example, the nominee to be Chief Medical Director should have had experience in successfully managing a large health care organization.

The elevation of VA to an executive department also provides an opportunity to implement a recommendation that we have made at other agencies to focus top management attention on financial management issues. A key provision of the proposed Federal Financial Management Reform Act of 1987 would establish chief financial officers at 13 current cabinet departments and 9 other agencies, including VA. The bill's intent is for the chief financial officers to provide a link for policy development and guidance from a central source (an Under Secretary of the

Treasury) and a focus for financial management leadership at the agencies. At a new Department of Veterans Affairs, the Assistant Secretary for Budget and Finance envisioned by the House bill could be designated the Department's chief financial officer.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions.

RESPONSES TO QUESTIONS

1. GAO has done a very large amount of work on the management of VA. In fact, my staff has collected about 200 pounds in study reports. Let's start with an overview. Given your past work on the agency, how would you characterize the management of VA? Is this agency ready to back up its Secretary in the combat of Cabinet politics?

Answer:

We would characterize VA's management as decentralized. While the central office sets operating guidelines for field managers, it gives field management a significant amount of authority and responsibility for implementing the various VA programs. We believe that the decentralized strategy is appropriate for the VA. We do have concerns, however, about the degree to which senior managers in the central office follow up to assure that programs are actually being implemented in the field in a manner consistent with the intentions articulated in central office guidelines. We think that the central office could do a better job of monitoring the quality of services being provided to veterans at VA's numerous field locations.

At the Cabinet level, the Secretary of Veterans' Affairs would have to be able to convince his or her peers that the issues the Secretary is fighting for are as or more important and urgent than issues being proposed by the others. We believe that the extent to which VA can improve its management information - that is, provide the types of data needed to support its positions in an accurate and timely manner - the better it can support its Secretary.

2. You don't say anything in your statement regarding whether you think elevation is a good idea or not. You just say that elevation wont' solve the management problems you have found. Given that the GAO is Congress's management expert, what would you say are the criteria that we ought to be looking at in making this decision? From a management, not political, standpoint, does GAO think elevation will help?

Answer: The criteria proposed by the National Academy of Public Administration for elevation of an agency to cabinet status appear to be reasonable and comprehensive. From a management perspective, we believe that the most critical criterion should be whether the agency will be able to provide better service after the change than before. In our view, cabinet status is not essential to make the types of changes needed to provide more efficient and better quality services to the nation's veterans.

3. Again from a management standpoint, do you think that elevation will help the Cabinet function better or help the President do his job better?

Answer: We have no basis for saying that affording VA Cabinet status will have a significant effect on the functions of the Cabinet or the President. Cabinet status would afford VA the opportunity to participate more fully as the important policy choices affecting the country are debated at the highest levels. However, earlier testimony by Mr. Turnage and two of his predecessors indicated that even without Cabinet status Presidents have had sufficient access to VA input on issues concerning veterans. Making the Administrator a member of the Cabinet would enable the President to get that input in different forums than those now used (i.e., in Cabinet meetings).

4. We have reviewed the internal control reports from VA, and I gather from your statement that you have some doubts about whether the agency is taking the Financial Managers Integrity Act to heart. Any Comment?

Answer: We believe that VA has made a good faith effort to identify material weaknesses through the FMFIA process. However, this year's report omitted several material weaknesses which both we and the Inspector General pointed out.

5. One of the statistics that is very interesting about VA is that it is the second largest agency in government, but has the second smallest inspector general's staff. HHS has about 1,000 auditors and investigators to oversee an agency of about 140,000, and VA has about 300 to oversee an agency of about 240,000. Is this a problem?

Answer: A direct comparison between the number of employees in HHS and VA and the size of their offices of inspector general may not be appropriate. Much of HHS's audit workload relates to its budget which includes $235 billion in social security benefit payments, and $84 billion in Medicare and $33 billion in Medicaid payments. VA's total budget is about $29 billion. GAO recently began a quality assessment review of VA's Office of Inspector General. Among other things, we will be reviewing the Office's compliance with applicable professional standards and the adequacy of the audit coverage of major VA programs. Our work which will provide an indication of the adequacy of the resources devoted to the VA Office of the Inspection General is expected to be completed by the summer of 1989.

6. There is also some concern about management fragmentation at the top of the agency. NAPA recommends, for example, that we reduce the number of staff offices into three major management units. Does that make sense to you?

Answer: The organization and structure of the assistant secretaries would be of lesser concern to us if, as we stated in our testimony, the Under Secretary is given specific responsibility for the day-to-day management of the department.

7. You have done a fair amount of work regarding reporting systems and quality assurance in both major operating units of VA -- medicine and benefits. One recent report complained about the ineffectiveness of the patient injury reporting system. Another examined the unemployability regulations, and lack of consistency in their application. Another found that the agency was not making proper site visits to nursing homes in advance of contract renewals. Is there a problem in this agency getting field stations and Medical centers to toe the line in reporting information up?

Answer: We have not found a problem getting field stations and medical centers to report information to VA managers. Rather, the information problem we have seen in the programs mentioned is the inability of senior managers in the central office to obtain to request consistent information on a few critical indicators of performance and use the data collected to assess and act on that performance. More active participation by central office managers, in our opinion, will help correct problems of data accuracy, reliability, and timeliness on which we have reported.

8. You have also done a good deal of work dealing with VA's computer modernization. Some have said that the agency is just too slow to get on with the modernization program in the medical program. And now it appears that the benefits side is starting over with a redesign of its system. Can you comment on whether VA needs some kind of help on this?

Answer: VA is making good progress implementing the recommendations we have made in the past few years regarding its computer modernization. It has relied to some degree on in-house staff, but much of the effort has been accomplished through contractors. It appears to us that VA -- on the medical side -- has received important help from its own employees, in terms of designing and implementing its decentralized hospital computer program. VA is now getting the agency's users of its benefits programs to help define the system requirements. This, coupled with expert advice from contractors and information management staff, should enable VA to successfully bring its benefits computer system up to date.

9. You recommend that we designate someone inside VA as a chief financial officer. Should we go one step further and split financial management off of budget and elevate the overall emphasis on financial reporting to the assistant secretary level?

Answer: The Office of Management and Budget has asked certain federal departments and agencies to create chief financial officers, as envisioned by the proposed Federal Financial Management Reform Act. In response, a number of agencies have created a position encompassing both budget and financial management responsibilities. We agree with such an approach.

10. We understand that you are underway with a very extensive study of the VA claims process, including a review of their quality assurance systems. Can you give us an update on what you're finding, and why you initiated at least part of that work on your own?

Answer: Our Human Resources Division's Income Security Group is currently conducting five studies of the Veterans Administration (VA) functions. These studies relate to VA's

-- processing of radiation claims,
-- overall claims processing system,
-- quality control system,
-- service-connected disability policies and procedures, and
-- criteria for rating disabilities (disability rating schedule).

The assignments on service-connected disability policies and procedures and disability rating schedule were initiated by the GAO while the other assignments were requested by the Senate Veterans' Affairs Committee. With the exception of the first two assignments (radiation and claims processing), we expect to issue our reports by the end of the calendar year. To date our findings are preliminary and have not been discussed with VA officials. Therefore, they are not yet available for publication.

11. You issued a report several years ago which argued that VA's medical quality assurance systems needed more attention. Can you give us an update on what has happened since then?

Answer: After we reported in 1985 that none of the medical centers we reviewed were in compliance with VA's internal quality assurance requirements, we began a series of reviews of quality assurance programs. In 1986 we reported that the supervision of surgical residents at VA medical centers was inadequate in 34 percent of the 148 cases we reviewed. In 1987 we reported that VA's patient injury control program was not effective Later that year we reported that medical centers were not properly following VA's system for monitoring the quality of care being provided to veterans VA supported in community nursing homes. Our conclusions from this series of efforts (as well as several ongoing evaluations) are (1) VA has not provided its staff clear instructions on exactly what they should be doing to assure that quality care is provided and (2) even when VA acts to clarify the guidelines, questions remain concerning the extent to which managers at central office and the medical centers assure that such guidance regarding the quality assurance systems is appropriately implemented. We believe that senior managers in VA and the Department of Medicine and Surgery should more actively monitor, through existing data systems, the quality of care being provided to veterans in all VA facilities.

12. As you note in your statement, leadership is critical for the success of an agency. We have talked a great deal about turnover problems at the top of VA. Is there anything you would recommend to the Committee regarding ways of encouraging top people to stay long enough to make a difference?

Answer: We have not been able to uncover the secret to making government service more attractive to top managers. However, we believe that if an executive takes over an operation that is well managed, that individual will have more of an opportunity to concentrate on important policy issues facing the agency and in need of attention.

RESPONSE TO QUESTIONS FROM SENATOR LEVIN:

1. Do you agree with NAPA that the series of legislative constraints significantly diminish the Administrator's ability to manage VA? Do you have other such constraints that you would recommend this committee consider?

Answer: The cited sections of title 38 and relevant appropriations acts certainly constrain, to some extent, the Administrator's ability to manage VA. However, we would not suggest removing these constraints without consulting with the Appropriations or Veterans' Affairs Committees (which proposed them) and considering the context in which they were imposed. For example, 38 U.S.C. 5010 (a)(1) requires that VA operate and maintain a minimum of 90,000 hospital and nursing home beds in its health care system. This has been cited as a constraint on VA's ability to convert space containing unneeded hospital beds to outpatient clinics. However, one reason for the requirement is to help assure that the VA system can provide a medical backup to the Defense Department in case of war or other national emergency. The Congress should consider the legislative history and current need for each apparent constraint before repealing them.

2. Do you have a cost estimate for elevation? Are the costs of office furnishings, automobiles, chauffering, and home-to-work transportation associated with elevation? Under what statutory authority?

Answer: We have not estimated the costs of making the VA a cabinet department. An official of the General Services Administration informed us that the VA has authority under the Federal Property Management Regulations, 44 C.F.R. Part 101, to provide the new Secretary with furniture and other personal property needed to refurbish his office. The VA also has authority thereunder to make minor adjustments to the Administration's existing office space.

With respect to the VA's authority to purchase or lease automobiles, 31 U.S.C. section 1343 provides that appropriations may only be used to buy or lease passenger motor vehicles for the use of certain designated officials, including the heads of the cabinet departments, or as "specifically provided by law." The VA's current appropriation, Pub. L. No. 100-202, authorizes the VA to hire (lease) automobiles, but only authorizes the VA to purchase six automobiles to be used specifically for "cemeterial operations." Thus, while the VA's authority to purchase automobiles is now limited, elevating the VA to cabinet level would allow the VA to purchase automobiles for use by the Secretary of the VA in addition to leasing them.

In addition, the Department of Housing and Urban Development-Independent Agencies Appropriations Act, 1988, which contains the VA's appropriation for the 1988 fiscal year, has a prohibition against using any of the funds provided therein for the transportation of any officer or employee of the departments covered by the appropriation "between his domicile and his place of employment," except for the Secretary of the Department of Housing and Urban Development (HUD). The Appropriations Act also contains a similar prohibition against hiring a personal chauffeur for officers and employees of those departments, with the exception of home-to-work transportation for the Secretary of HUD.

Under 31 U.S.C. section 1344, automobiles may be used to transport the heads of cabinet departments and certain other designated officials between their residence anad place of employment. Accordingly, while the VA is currently prohibited from using appropriated funds to provide transportation to the Administrator of VA between his home and office, elevation of the VA to cabinet level would enable VA to provide the Secretary with an automobile (and driver) to transport him between his home and place of work.

3. Please amplify the statement "VA's technology was 20 to 30 years behind the times." Are we talking about medical technology.

Answer: The technology in question is not medical technology. We were referring to certain financial information processing systems used by VA at the time of our review (1984-5) which needed modernization of their programming languages; files structure; methods of capturing, storing, and retrieving information; reporting formats; and use of modern data processing telecommunications hardware and software. As we noted in our testimony, VA appears to be making progress in the development of its financial systems.

4. Who is now responsible for managing the agency's operations? If it is not the Deputy Administrator, what are his responsibilities?

Answer: As we understand it, the current Administrator has delegated the responsibility for managing VA's day-to-day operations to his Chief of Staff. The Deputy Administrator is responsible, by law, "to perform such functions as the Administrator may designate...". In a recent letter to us, the current Deputy Administrator told us that the presence of a strong Chief of Staff, who was already in place, had allowed him to pursue a range of cross cutting issues which he believed could have a positive long-term effect on VA and the veteran population. He stated that these activities included (1) involvement in a working group on AIDS, (2) activity on behalf of homeless veterans, (3) chairing regular meetings of VA unit heads concerning equal opportunity, (4) serving as Chairman of the Architectural and Transportation Barriers Compliance Board, and (5) participating in ceremonial functions.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

STATEMENT OF JOSEPH R. WRIGHT
DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
SENATE
COMMITTEE ON GOVERNMENTAL
AFFAIRS
MARCH 28, 1988

I would like to thank the Committee for this opportunity to appear before you today to discuss the Administration's views on the proposed legislation to make the Veterans Administration a Cabinet Agency.

The Administration supports making VA a Cabinet Agency. The President gave his endorsement to this proposal on November 10, 1987. VA Administrator Tom Turnage repeated that endorsement when he testified before you in December. Elevating the Veterans Administration to Cabinet status will provide a profound tribute to our Nation's veterans. Veterans' interests have been given thorough attention and a strong voice in this Administration, and with Cabinet status, that role would continue into the future.

There are three topics that I would like to address today:

-- First, management and organization of the new Department, how they should differ from existing arrangements, and how new management tools can be incorporated into the organization;

-- Second, the cost of setting up the new Department; and

-- Third, my views on some specific provisions in the legislation being considered by the Committee.

Management and Organization

I believe that management of the new Department should be dealt with in a way that provides the Secretary with the flexibility needed to best organize and run a major government agency with a $28 billion budget and 240,000 employees. I urge the Committee to refrain from approving legislation that is too prescriptive, and that would restrict the authority of the Secretary to administer the agency with due regard for changing circumstances.

In fact, we already have numerous statutory restrictions that prevent VA officials from managing their programs efficiently, as the National Academy of Public Administration (NAPA) report to your committee so clearly highlighted. These restrictions do not help veterans, but make VA less effective in serving them.

We also object very strongly to any restrictions on the authority of the President in carrying out his constitutional responsibilities. Accordingly, we believe H.R. 3471 should be modified to delete the requirements found in sections 3 (b) and (c) for Congressional notification in the event of removal from office of the heads of the health care and benefits programs before expiration of their designated terms of office. The President should retain unencumbered authority to remove them just as he may remove other appointed officials of this or other executive departments. The 4-year terms of office for the individuals who direct the health care and benefits programs should also be deleted. After Senate confirmation, these officials should continue in office at the pleasure of the President.

While we are on the subject of objectionable restrictions, let me elaborate briefly on the barriers and impediments to effective VA management that have been written in law and have been described to you in the NAPA report. I will only repeat two examples:

- Provisions requiring that up to eight months elapse and reports be made to the Veterans Affairs Committees of both houses before any action may be taken to reassign as few as three VA employees.

  Such a provision obviously ties the hands of any VA officials attempting to respond rapidly to changing circumstances.

- Provisions limiting the Administrator's authority to contract out services performed by VA employees.

  Why in this period in which our goals include providing quality services to veterans and reducing the deficit, should we be limiting the opportunities to have effective services provided to veterans at lower costs?

I understand that questions have been raised about the number of Presidential appointments requiring Senate confirmation (so-called PAS appointments) that should be authorized for a new Department of Veterans Affairs. Under current law only the Administrator, the Deputy Administrator, and the Inspector General of the VA are PAS appointees. I believe it appropriate, in a new Department of Veterans Affairs, that not only these three, but also the General Counsel and the heads of the major operating components of the new Department (the veterans medical care system, the benefits delivery system, and the National Cemetery System) should be Presidentially-appointed and Senate confirmed.

In addition, I believe that effective management of the Department would require that no more than two or three additional PAS positions concerned with executive direction and program support should be created, for functions such as planning, budget, management, evaluation, Congressional and public affairs, etc. The duties and responsibilities of each of these additional positions should be left to the discretion of the Secretary. This organizational arrangement, with both line and central management PAS positions, would be similar to that created by the Congress for other Cabinet agencies.

I realize that there is concern on the part of some Committee members that the new Department might become "too politicized", that a new layer of PAS appointees might weaken the agency's reliance on the expertise of professional career staff. An expansion in the number of PAS appointments from three to a maximum of ten should pose no such threat to an organization with 240,000 employees. Because these officials would be subject to Senate confirmation, the Congress will have a larger voice than it has now over the qualities it demands in the senior officials who administer veterans' programs. The two most recently created Departments, Education and Energy, have 16 and 25 PAS appointments, respectively. Both have smaller budgets (the FY 1988 appropriations are $7.8 billion and $17.3 billion less, respectively) than the VA and significantly fewer employees. In fact, VA employs 49 times more people than Education and 14 times more people than Energy. I see no danger that the professional judgments of VA career staff will not be heeded in these circumstances.

I expect the new Department to employ new management tools whenever they can be put to use in serving America's veterans. The Chairman has noted that ideas such as biennial budgeting, a productivity investment fund, and the establishment of a Chief Financial Officer have been suggested. I support all three of these ideas; they are some of the first management initiatives the new Secretary should review for their application to the new Department. However, I do not believe that requirements for specific management techniques should be written into the basic organizational statute of a Department. I believe that this kind of prescription in authorizing legislation for just one agency is inappropriate. The Administration would be more than happy to work with the Congress on a government-wide initiative and would support action this year.

In the meantime, in the case of the Chief Financial Officer, I would expect the new Secretary to appoint one of his senior officials to such a position, but that decision should be left to him and not written into the VA statute. The Administration will be proposing legislation to establish such a position in all government agencies.

Let me finish my comments on management the way I started -- it is a contradiction in terms to maintain the current restrictive statutory provisions that inhibit good management while proposing a law that purports to improve the agency's management. As the NAPA panel reported, "elimination of these provisions should be considered regardless of the decision on whether to elevate the VA to a Cabinet department." I believe that the Congress should act on that recommendation, but, of course, it is the prerogative of this committee to determine the appropriate legislative context within which to consider such recommendations.

Costs for Establishing the New Department

The second issue I wish to take up is the cost of establishing and running the new Department. I believe such costs will be relatively minor.

Our cost estimates are based on the assumptions that (a) a small number of policy-level officials will require upward adjustments in their compensation levels, (b) there will not be new layers of non-career officials below the new PAS positions and no associated costs of renovations of offices, new furnishings, etc., and (c) new identifying signs, stationery, etc., will be put in place gradually as old signs and supplies are exhausted. Based on these assumptions, we believe there should be a relatively small increase in making the shift to a new Department -- it can be as low as $30,000 in immediate costs and $1.4 million over the next 3 to 4 years. These estimates are consistent with VA's. We think here, as elsewhere, we must hold down costs as we try to reduce the overall budget deficit. While I cannot predict what future adminstrations may do, this Administration does not intend to increase VA central office staff or immediately change VA signs and supplies because of a shift to Cabinet status.

Far more significant than the additional costs associated with Cabinet status are the inefficiences that result from the current statutory restrictions on agency management that I mentioned earlier, which prevent VA from better allocating its resources to serve veterans.

Concurrence with Administrator Turnage on Language Amendments

Finally, I want to indicate to the Committee that I agree with the views expressed by Administrator Turnage in his December 9, 1987, testimony concerning the need to amend H.R. 3471 to:

- -- Fix the compensation level of the Chief Benefits Director at Level IV, rather than Level III, and delete from the bill, as inflexible and unneeded, the specification of program element names, such as the Veterans Health Services Administration. The new Secretary should have the flexibility to name the various units of the agency.

- -- Authorize an incumbent to act as General Counsel as the bill does for other VA officials; and,

- -- Delete the section that requires the new Secretary to propose legislation containing technical and conforming amendments to Title 38, the Veterans title of the United States Code. Putting such a requirement into law is unnecessary as VA has always given and will continue to give the Congress technical assistance in drafting legislation.

We also agree on the need to delete, as unnecessary and inappropriate, Section 6 of the bill, which would require VA to continue to operate at least one regional office in each state. We both believe that this and future administrations will continue to operate these offices but should not be required by law to do so.

I appreciate the opportunity to advise the Committee on this matter of great significance to our Nation's veterans. I would be happy to respond to any questions.

STATEMENT OF

JOHN A. GRONVALL, M.D.

CHIEF MEDICAL DIRECTOR

DEPARTMENT OF MEDICINE AND SURGERY

VETERANS ADMINISTRATION

BEFORE THE

SENATE GOVERNMENTAL AFFAIRS COMMITTEE

UNITED STATES SENATE

MARCH 28, 1988

Mr. Chairman and Members of the Committee:

We are pleased to be here today to comment on the proposal to elevate the Veterans Administration to Cabinet status and any potential impact of this change on the VA's quality assurance programs.

Assuring the quality of the health care services provided to veterans is a fundamental responsibility of the Department of Medicine and Surgery and the Veterans Administration. The history of the Department of Medicine and Surgery, since its establishment by Public Law 79-293 on January 3, 1946, is significantly marked by steps designed to assure that quality patient care is provided. The basic missions of the Department -- medical care, research, education and contingency back-up to the Department of Defense -- have been codified in 38 U.S.C. so as to create an environment that would attract the best health care professionals available to provide quality care to veterans. This arrangement constitutes the major guarantor of a health care system capable of providing high quality health care services.

Beginning in 1974, a functional office of quality assurance was established in VA Central office to add emphasis to quality assurance efforts throughout the VA health care system. Formal requirements for each hospital's internal quality assurance program and a national systematic external peer review program were subsequently established.

The quality assurance organization within the Veterans Administration has evolved since 1975 to its current arrangement of the Office of Quality Assurance, which has responsibility for our ongoing quality assurance programs, reporting directly to the Chief Medical Director; and the Medical Inspector, who has responsibility for monitoring and investigating incident reports, complaints, or alleged incidents of poor quality care, reporting to the Deputy Chief Medical Director.

Since the passage of the Inspector General Act in 1978, we have also been subject to additional routine management audits and review, and investigation by the Inspector General's Office of untoward incidents. Our Office of Quality Assurance and the Medical Inspector have good working relationships with the VA Inspector General's office which enhances the effectiveness of VA quality review programs. The Inspector General's Office reviews the report of each investigation conducted by our Medical Inspector.

In recent years, we have further augmented our quality assurance programs by establishing:

(1) Medical District Initiated Peer Review Organizations (MEDIPRO) -- A VA medical district based peer review program that is now fully operational throughout the VA system. The MEDIPRO program includes both computer-based quantitative analysis and individual case review of care delivered compared to professionally determined standards of care, and also includes mechanisms for monitoring corrective actions.

(2) Occurrence Screening -- We are in the process of implementing this quality monitoring technique in all of our VA medical centers. Thirty-seven medical centers now have occurrence screening in operation. This program involves computer assisted screening of significant indicators of quality, identification of problem areas, and corrective actions when needed.

(3) Patient Injury Control -- We have also clarified the requirements of our Patient Injury Control Program and are improving compliance through the efforts of both the Medical Inspector and the Regional Directors.

The VA, in addition to its internal quality assurance programs, is subject to extensive oversight review, surveys, and reports prepared by (1) Congressional Committees and Agencies; (2) accrediting agencies and other private sector review organizations; and (3) Veterans Service Organizations. In sum, over 50 government and private organizations review some aspect of our programs.

As you know, we are, of course, subject to oversight review by the Congress. This includes the House and Senate Veterans' Affairs Committees, as well as the Governmental Affairs Committees. We are also routinely audited by the GAO, an agency of the Congress.

The most significant and comprehensive private sector review is by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). All 172 VA medical centers are fully accredited by the JCAHO. There are other private sector organizations that review, for example, the accuracy of our pathology services, our blood banking procedures, the quality of our residency training programs, our research programs, and our safety programs.

The major national Veterans Service Organizations conduct regular, organized site visits of VA medical centers to review our operations. These organizations then provide written reports on their visits, with recommendations to the VA.

All of the private sector, GAO, and Veterans Service Organization reports are reviewed and formally responded to by VA management officials. Plans for corrective action are developed and are tracked to assure that needed changes are made.

Because of this extensive attention already being given to our programs, I believe that the proposed elevation of the Veterans Administration to Cabinet status will not materially impact on our quality of care or quality assurance programs.

Mr. Chairman, this concludes my remarks. I shall be pleased to answer any questions you or members of the Committee may have.

STATEMENT OF
R. J. VOGEL
CHIEF BENEFITS DIRECTOR
VETERANS ADMINISTRATION
BEFORE THE
SENATE COMMITTEE ON GOVERNMENT AFFAIRS
March 28, 1988

Mr. Chairman and members of the Committee:

I am pleased to be here this morning to discuss the adequacy of the process by which claims for compensation, pension and education are processed. I will also discuss the quality controls the Department of Veterans Benefits uses to ensure that benefits are awarded in conformance with governing laws and regulations.

First, however, I would like to address one question that has been raised in relation to the issue of quality review -- the effect of Cabinet status. In fact, the elevation of the Veterans Administration to Cabinet status will not affect quality assurance activities in the Department of Veterans Benefits. Neither the numbers of people devoted to this area nor the procedures in effect will change. We currently devote approximately one-third of our staffing resources to various aspects of the quality assurance process. This resource commitment will continue regardless of what the Agency may be called.

I also wish to underscore the intense scrutiny these processes have received in other congressional forums. For example, it was less than two years ago that the House Veterans' Affairs Committee, in connection with its consideration of judicial review legislation, completed an extraordinary four days of hearings into our adjudication activities.

Last year, we again testified at great length concerning our claims processing. The first opportunity was a joint House/Senate Veterans' Affairs Committee oversight hearing on March 17. On May 7, Chairman Applegate's House Subcommittee on Compensation, Pension and Insurance followed up with a wide-ranging inquiry into the timeliness and quality of claims processing by the Department of Veterans Benefits. That hearing was especially noteworthy for the detailed, forthright testimony given by adjudication officers.

On October 6, 1987, the operations of the Board of Veterans Appeals came under careful review by the same House Veterans' Affairs Subcommittee. The extensive record compiled at that hearing is also available for your review. Most recently, on February 18 the Human Resources and Intergovernmental Relations Subcommittee of the House Government Operations Committee held a day-long hearing into claims processing at both the regional office and appeals levels.

Mr. Chairman, careful oversight by not only the Congress but also the veteran community, the General Accounting Office and our own Inspector General assures that we operate very much in the open. Unfortunately, recent hearings have invariably become forums for those who would superimpose judicial review on our layered administrative system of claims adjudication. That advocacy, we believe, usually detracts from legitimate inquiries into our ability to judge claims fairly and compassionately.

The congressional hearings have highlighted a number of program management challenges presented by our multifaceted mission. We realize the importance of upgrading our ADP capabilities, and the Administrator has given modernization of our activities top priority. Internal studies are underway to assess our quality control procedures as well as our work measurement and timeliness criteria for claims processing. I can assure you that as problem areas are identified, solutions are sought. (We have appended to our statement a comprehensive list of recent management initiatives.)

Problems of resource allocation and resource management are problems requiring management solutions. We have heard it suggested that superimposing judicial review of our claims decisionmaking would somehow improve program management. I can assure you it would not, and in fact the necessity to produce court-ready records would only increase demands on limited resources.

Everyone agrees that veterans deserve an efficient, just and compassionate system of claims resolution which carefully protects due process. It is both my professional opinion and personal conviction that they have such a system, and it is an opinion which seems to be shared by a substantial majority of the veteran population.

In fiscal year 1987, the VA decided more than 5 million claims. During that same year, 41,491 appeals of these decisions (less than 1%) were perfected to the Board of Veterans Appeals. In my view, the relatively small number of decisions appealed in comparison to the huge number of decisions rendered indicates general satisfaction with the present claims processing system.

A number of initiatives have been implemented to improve timeliness. For instance, we have evened out the workload associated with the annual verification of pension eligibility by staggering the release of the questionnaires throughout the year rather than releasing them to all beneficiaries at the same time. We have also worked with the National Personnel Records Center in St. Louis and with the military service departments to ameliorate the longstanding problems we have experienced in obtaining service medical records from DOD organizations.

We are helping the national veterans' service organizations train their service officers so that they will be better able to obtain all necessary information and evidence from their clients as they help prepare the claims for presentation to the VA. In addition, we are conducting special training sessions for our own personnel to ensure that they are kept abreast of the latest changes in our procedures and computer system.

Other initiatives are underway in the timeliness area. We are in the process of automating the exchange of data between the regional offices and the medical centers, reducing the time expended in transmitting information and examination reports between VA installations. We are also refining the computer programs that process data matches and legislative rate increases to reduce the number of cases that need to be processed manually. Finally, we have initiated a far-reaching program to modernize our ADP programs and equipment, and to automate all DVB processes that can be automated.

On the issue of quality, I am pleased to report that, except in the sense that timeliness itself is a part of quality, there has been no drop in the level of quality of claims processing. In fact, we have actually improved -- our reviews show that in the last year our quality levels have improved in 5 out of the 6 categories reported.

As I have previously cited, our adjudicators made over 5 million decisions on claims in FY 1987. The Board of Veterans Appeals reversed the regional offices in 5,270 cases. This is 1/10 of 1% of the total number of claims decided. We believe this is a very strong indication of the quality of our service to veterans.

In your invitation, Mr. Chairman, you indicated a specific interest in our quality control assurance system. The Department of Veterans Benefits uses several methods to ensure that adjudication personnel apply all laws, regulations and procedures correctly and consistently.

One of the basic methods is multiple reviews. For example, we require the approval of three rating specialists in each rating decision. Also, the participation of both an adjudicator and an authorizer is required in the grant or disallowance of each compensation and pension action. This 100% review methodology acts as a system of checks and balances. As a further safeguard, except in the small offices which have only minimal staffing, we rotate these personnel periodically in the interest of obtaining uniformity of rating and authorization decisions.

We also promote accuracy and consistency through our requirement that each month the first-line supervisors in the adjudication divisions must examine a random sampling of a specified number of cases completed recently. These supervisors perform this formal review specifically to determine the quality of the work produced by their subordinates. The review findings must be submitted to division management.

Each station also has a Quality Review Committee responsible for performing a quality check of a sampling of the reviews done by the first-line supervisors. This second review not only validates the effectiveness of the initial review, but also ensures that all decision-makers in the regional office are adjudicating claims in a like manner.

We have other quality and consistency controls at the national level. Approximately twice a year for each regional office, staff elements of the Department of Veterans Benefits in Central Office call-in a specified number of randomly selected claims folders involving recently completed actions. These cases are thoroughly reviewed for substantive and material deficiencies, and procedural discrepancies, by experienced claims examiners. The results of these audits are then analyzed to determine if the regional office under examination is performing at the levels we demand.

These audit reports also pinpoint areas which require Central Office action, such as issuing new or revised guidelines, scheduling training sessions, or conducting special on-site visits. Based on these reviews, we also issue quarterly newsletters highlighting the SQC findings and setting forth areas in which regional offices need to conduct training.

At this point, I would like to clarify some recurring misconceptions about our quality control system. Critics of the VA's claims processing system have ignored the multifaceted checks and balances that are integral to our quality controls and instead have zeroed-in on one narrow aspect -- the statistical quality control (SQC) reviews done in Central Office. These critics have portrayed these reviews as our prime, indeed our sole, method of ensuring quality claims processing. Having set up this straw man, they proceed to argue that the SQC program is not absolutely accurate and foolproof and, therefore, the entire quality control system is invalid.

The reality of the situation is that the SQC validation program is not a method for catching all erroneous cases. It is a management tool for detecting problems in overall program performance. It is a means of detecting trends, validating regional office quality reviews, and identifying areas which require additional guidelines or training. Corrective action in individual cases is a byproduct of the SQC review process.

Another general misconception is that favorable action on an appellate issue by the Board of Veterans Appeals represents the correction of an "error" made by the regional office. As a matter of fact, the BVA rarely finds outright errors. Under the existing adjudication system, every claim is given a thorough second review before the case is certified to the BVA. Errors are caught and corrective action is taken without referral to the BVA. Reversals by the BVA represent not errors, but rather typically involve differences of opinion concerning facts in the case.

In closing, I would like to assure you that at every level our personnel are held accountable for the quality of the work they perform or supervise. I sincerely believe that our claims processing system does ensure that benefits are awarded in an efficient, just and compassionate manner.

Finally, I wish to acknowledge the invaluable assistance we receive from the veterans' service organizations in bringing selected cases or trends to our attention. They are one of the most important elements in our quality control system.

Mr. Chairman, I would be pleased to answer any questions you or the other members of the Committee may have.

APPENDIX

DVB MANAGEMENT INITIATIVES

The Department pursues management and productivity improvements in all elements of our organization, and identification of improvement opportunities is a Department-wide effort. This list is compiled from those initiatives that have been completed within the past three fiscal years, or are currently underway. Projects cover the areas of program management, debt management, records/mail management, automation, and resource allocation. Implementation is tracked through the annual program operating plan.

Program Management

Initiative	Service	Status
Remittance Collection Improvement	(29)	Implemented
Training Field Station Employees	(203)	Underway
Quality Control and Error Reduction	(21)	Underway
VR&C Quality Review System	(22)	Underway
Loan Servicing Pilot Project	(26)	Underway
VAMC Benefits Counseling Guidelines	(27)	Underway
Field Examiners Program Guide	(27)	Underway
Toll-free Telephone Service, Insurance	(29)	Underway
Administer VMLI In-house	(29)	Underway
Property Management Pilot Project	(26)	Proposed
Consolidation of Insurance Activities	(29)	Terminated

Debt Management

Initiative	Service	Status
Referral of Accounts to District Counsels from CARD	(20B)	Implemented
Federal Salary Offset	(20B)	Implemented
Use of Private Collection Agencies	(20B)	Implemented
Income Tax Refund Offset	(20B)	Implemented
Telephone Test	(20B)	Implemented

DVB MANAGEMENT INITIATIVES

Records/Mail Management

Initiative	Service	Status
Records Inventory Management Inventory	(203C)	Implemented
Conversion of Loan Guaranty Index	(203C)	Implemented
Mail Presort	(203C)	Implemented
Relocation of Active Records to the RPC	(203C)	Underway
Replacement File System	(201)	Suspended

Automation

Initiative	Service	Status
Centralize Education Loan Accounts	(20B)	Implemented
Office Automation (Initial installation is complete, augmentation is underway)	(202)	Implemented
Automate Forms Design	(203C)	Implemented
Loan Guaranty Rapid Access	(26)	Implemented
Consolidation of Vendee Loan Accounts	(20B)	Underway
Consolidation of Death Accounts	(20B)	Underway
Consolidation of DM&S Debt Accounts	(20B)	Underway
DVB Modernization and Organization Reform	(202)	Underway
"Model Station"	(202)	Underway
Integrated Target/Office Automation	(202)	Underway
Automate Folder Processing	(203C)	Underway
Automate Distribution System for Directive Material	(203C)	Underway
Automate Form Letters	(203C)	Underway
DVB-DM&S Automated Exchange of Data	(21)	Underway
Benefits Delivery System for Chaps. 30 & 106	(22)	Underway

DVB MANAGEMENT INITIATIVES

Automation (cont.)

Initiative	Service	Status
Optical Disk Pilot Project	(22)	Underway
Computer Assisted Information System	(22)	Underway
Automated Rehabilitation Plan Development	(22)	Underway
Loan Production System	(26)	Underway
Fiduciary and Field Exam Automated System	(27)	Underway
Microcomputers for Field Examination Activities	(27)	Underway
Automation of Inactive Records	(203C)	Suspended

Resource Allocation

Initiative	Service	Status
Resource Allocation Model	(201)	Implemented
DVB Productivity Measurement System	(201)	Underway
Pilot Project on Management Efficiency	(201)	Underway

STATEMENT OF HONORABLE FRANK HORTON

Before the Committee on Governmental Affairs
United States Senate
on
Elevation of Veterans Administration to Cabinet Status

December 9, 1987

Mr. Chairman, I welcome this opportunity to testify on behalf of legislation to elevate the Veterans Administration to Cabinet status. One of the bills under consideration, H.R. 3471, was introduced on October 13 by House Government Operations Committee Chairman Brooks, House Veterans Affairs Committee Chairman Montgomery, the Ranking Minority Member of the Veterans Affairs Committee, Mr. Solomon, and myself. The legislation would elevate the Veterans Administration as currently structured to a Cabinet-level department.

The House Government Operations Subcommittee on Legislation and National Security on which I serve as Ranking Minority Member held a hearing on H.R. 3471 on October 27. At that hearing, we heard testimony from our colleagues in the House, Sonny Montgomery, Jerry Solomon, and Doug Applegate, as well as Senator Strom Thurmond, and representatives from ten veterans service organizations. They all endorsed the measure without exception.

On November 10, the Members of the House Committee on Government Operations voted unanimously to report H.R. 3471 favorably to the House. Almost simultaneously, President Reagan signaled his intention to sign the bill when it reaches his desk. The measure was considered by the full House under suspension of the rules on November 16. The following day, November 17, the House overwhelmingly approved H.R. 3471 by a vote of 399 to 17.

Mr. Chairman, I wholeheartedly support this legislation. Our nation and government exist today because of the contributions veterans have made throughout our history. Our veterans deserve a cohesive structure at the highest possible level to insure the most effective and efficient operation of their critically important programs. H.R. 3471 would give our veterans that needed structure and stature. An executive Department of Veterans Affairs is in the best interest of veterans and of all Americans.

The Veterans Administration ranks second only to the Department of Defense in work force size. The VA is larger than any one of the Departments of Commerce, Education, Energy, HUD, Interior, Justice, Labor, State and Transportation. Nearly 80 million Americans -- or one-third of the U.S. population -- are potentially eligible for VA benefits and services.

Mr. Chairman, I believe that the establishment of the Veterans Administration as an independent agency was appropriate in 1930. But today, the time has come for elevation of the VA to Cabinet-level status. It is more important than ever before that we make certain that the commitments this government made to our veterans are carried out and accorded the highest priority.

I am very proud to be an original cosponsor of H.R. 3471. It is important legislation that deserves the support of all Members of Congress. I encourage you, Mr. Chairman, and all the Members of this Committee to act favorably and expeditiously on this measure. Our veterans deserve to be heard at the highest levels of government.

ALAN CRANSTON, CALIFORNIA, CHAIRMAN

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ANTHONY J. PRINCIPI, MINORITY CHIEF COUNSEL/STAFF DIRECTOR

United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

December 9, 1987

Honorable John H. Glenn, Jr.
Chairman
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear John,

As you know, I had planned to be with you this morning to testify at the outset of your Committee's hearing on the issue of giving the Veterans' Administration Cabinet status and legislation to that effect, matters of great importance to our Nation's veterans and their dependents.

However, as you also know, the presence of General Secretary Gorbachev in Washington at this time has imposed major responsibilities on me as the Majority Whip and as a member of the Foreign Relations Committee. This morning, I am meeting with Secretary Gorbachev as part of the joint Congressional leadership and thus regret that I cannot be with you to testify.

I am submitting the enclosed prepared testimony for your hearing record because I wanted the views presented therein to become part of the public debate on this issue at the earliest possible opportunity. As you will see, as an original cosponsor of Senator Thurmond's bill, S. 533, I support the direct, non-politicizing approach taken in that measure and urge your Committee's favorable consideration of that bill.

I am taking the liberty of sending a copy of this letter and the enclosed testimony to each member of your Committee and ask that you express to those present at the hearing my regrets at being unable to attend. I continue to want very much to testify in person before the Committee on this matter and hope that an opportunity to do so can be arranged in connection with the hearings that I understand you are planning for early next year.

With warm regards,

Cordially,

Alan

Alan Cranston
Chairman

Enclosure

cc: All Members
Committee on Governmental Affairs

Statement of
Senator Alan Cranston
before the
Committee on Governmental Affairs
December 9, 1987

Mr. Chairman and members of the Committee, I am delighted to appear before you today in connection with your Committee's consideration of legislation that would accord Cabinet status to the Veterans' Administration. I congratulate the Chairman for scheduling this hearing so promptly after House passage of H.R. 3471.

Since first coming to the Senate in 1969, I have been active on veterans' affairs matters, first as the Chairman of the Subcommittee on Veterans' Affairs of the then-Labor and Public Welfare Committee and then as a member of the Veterans' Affairs Committee from its creation in 1971. As you know, I have been either the Chairman or the Ranking Democratic member of the Committee since 1977. I am delighted that your Committee is actively pursuing the matter of upgrading the status of the VA, a result I have long advocated.

Far too often, the VA Administrator has been ignored when crucial decisions are being made within the Executive Branch on government-wide matters, especially on health and budget issues. During the Carter Administration, Administrator of Veterans' Affairs Max Cleland was made a member of the Cabinet for the purpose of attending Cabinet meetings, and I believe that that action promoted a desirable level of involvement for him and the agency.

For over 50 years, the VA has been the principal Federal agency with responsibility for providing benefits and services to veterans and their survivors. The agency's principal mission is described concisely and eloquently in the words of Abraham Lincoln in his second inaugural address -- "to care for him who shall have borne the battle and for his widow, and his orphan." It is through the VA that the United States meets its historical commitment to provide health care and compensation to veterans disabled during their service, assistance to the survivors of those who made the ultimate sacrifice, and readjustment assistance to all those who serve honorably in the Armed Forces during periods of war.

Because of the VA's special responsibility for meeting veterans needs, it serves very important national defense functions. Major commitments made by the Nation to its veterans are directly fulfilled through the VA. If the Federal Government, through the VA, is seen as being unwilling or unable to honor commitments made to those who have served the Nation in the past, it is unlikely that the Armed Forces would be able to attract or retain the needed level of uniformed personnel without conscription. Thus, honoring such commitments faithfully and effectively is not only a moral obligation but integral to our efforts to support and maintain the All-Volunteer Force.

Through its health-care system the VA serves a further, tangible national defense function. VA hospital and medical resources are the first backup to the health-care resources of the Department of Defense in time of war or other national emergency involving military conflict. This logical and important role of the VA was codified in 1982 in Public Law 97-174. Should the need arise, the VA must be ready to provide critically needed assistance to DOD, the health-care resources of which would be totally inadequate to care for large numbers of casualties.

Today, there are nearly 28 million veterans and about 49 million dependents or survivors of veterans. Among Federal departments and agencies, only DOD has more employees than the VA, and the VA's budget -- around $27 billion -- ranks 7th among Federal departments and agencies. The VA operates the largest centrally managed health-care system in the United States, furnishing care to 1.4 million inpatients and over 18 million outpatient visits. The VA will distribute over $14 billion in income maintenance payments and approximately $626 million in education, training, and rehabilitation assistance payments in fiscal year 1988; operate one of the Federal Government's two major home loan guaranty programs, with over 4 million loans currently guaranteed; run 109 national cemeteries and provide burial assistance for nearly 300,000 deceased veterans annually; and administer the largest direct insurance program in the country.

In light of the VA's size and importance, the agency and its programs should be accorded appropriate recognition, status, and treatment within the executive branch. President Carter recognized that. Too often, under the current Administration this has not been the case.

In recent years, the VA has frequently been relegated to a relatively insignificant role within the Executive Branch, with the Administrator having little or no access to the President or other top officials in the White House. This was particularly true with respect to the first Administrator of Veterans' Affairs under the current Administration, Robert Nimmo, who was often precluded from meaningful participation in matters affecting the VA, particularly budget matters. For example, in September 1981, 2 months after Mr. Nimmo took office, the President decided to submit revisions in the fiscal year 1982 budget for the VA, reducing certain major VA accounts, such as the medical care and medical and prosthetics research accounts, to levels substantially below those that the President had earlier agreed to in the context of the first concurrent resolution on the budget for fiscal year 1982. This decision was taken with no advance consultation with the Administrator. In fact, as far as I am aware, Mr. Nimmo did not even meet with President Reagan until very late in his tenure as Administrator.

I was pleased when Mr. Nimmos's successor as Administrator, Harry Walters, reversed that situation -- he met with the President shortly before his confirmation hearing and worked to maintain his access to top officials in the White House. The point here is that the VA Administrator's access to the President and the White House should not rise or fall on the basis of the aggressiveness and other personal qualities of the Administrator. It should flow from the status of the position of the Administrator and the importance of the VA mission.

In order to preclude recurrence of the relegation of the VA to a relatively insignificant role within the Executive Branch, with the Administrator having little or no access to the President or other top officials in the White House, the VA should be elevated to Cabinet-level status. Such a step would ensure that the head of the VA would participate in top Administration discussions and decisions, which in turn should result in greater coordination and sharing of expertise between the VA and other federal departments. It also should lead to a greater recognition of the impact of general governmental decisions on the VA's ability to fulfill its various missions.

Areas where such opportunity for the interchange of ideas between the head of the VA and other Cabinet agencies would be desirable are many. For example, a whole range of issues relating to the VA's health-care system and our society's overall efforts to address the health-care needs of our citizens suggest themselves. At the most basic level, it seems important to me that others involved in formulating government-wide policy concerning access to health care need to understand clearly to whom the VA is furnishing care and be conversant with any proposals to change the VA's role in that regard. Likewise, greater appreciation of the VA's efforts with regard to specific health-care issues -- such as current efforts to combat AIDS -- should enhance the effectiveness of government-wide activities.

The VA, by virtue of its statutory mandates and the population it serves, is at the forefront of government activities in many fields. Nowhere is this dynamic more apparent than with reference to addressing the needs and concerns of an aging population. Because veterans cluster in age groups related to the periods of major conflicts -- World War I, World War II, the Korean conflict, and the Vietnam conflict in this century -- trends relating to the general population are realized differently in the veteran population. In the area of aging, the change in the overall population, which will peak around the first third of the next century, will be accelerated in the case of veterans. The veterans of World War II, who make up 37 percent of the total veteran population, are already approaching an average age of 65, and the veterans of the Korean conflict are just behind them. Lessons learned by the VA today -- as the agency works to provide health care, income maintenance, home loan, burial, and insurance assistance to the large numbers of World War II veterans now in their 60s -- can and should be of great benefit as the rest of society ages. Providing an opportunity for other departments and agencies to learn of such matters at the Cabinet level should promote needed cross-fertilization across the government.

It is also important to recognize that the Administrator of Veterans' Affairs has important statutory responsibilities for seeking to achieve the maximum feasible effectiveness and coordination of all Federal programs and activities affecting veterans -- including those conducted by the Department of Labor and other agencies, as well as by the VA. The Administrator is also charged with actively promoting the effective implementation and enforcement of all laws and regulations providing for special consideration, emphasis, or preference for veterans. These responsibilities need to be carried out far more effectively and aggressively than they have been in the past. Cabinet status for the head of the VA would promote needed interaction with the heads of the executive departments.

Because of my belief in the need to enhance the status of the VA Administrator, in 1983 I authored a provision, enacted as title V of Public Law 98-160, calling upon President Reagan to follow President Carter's lead and make the VA Administrator a member -- but this time a full member -- of his Cabinet. Unfortunately, President Reagan rejected this proposal then and has not acted on it since. In view of his recent endorsement of cabinet-level status for the VA, I don't know why he has not signed an Executive Order to bring that about, something totally in his power to achieve.

Thus, legislation such as your Committee is now considering seems to be the only approach available to secure Cabinet-status for the VA. That is who I am an original cosponsor of Senator Thurmond's bill, S. 533. This measure is, as you know, very different from the bill (H.R. 3471) passed by the House last month. The key difference is that S. 533 does not create within the VA any additional positions requiring Presidential appointment and Senate confirmation, leaving the number of those positions at three.

The House-passed bill, on the other hand, would result in 11 additional such positions. I am deeply apprehensive that these 11 new Presidential positions and the other 5 or more political appointments that invariably would be made in support of each of these positions would politicize the agency in very undesirable ways. We are talking about infusing this agency with 55 or more new political agents of the White House and the Executive Office. I find this a terribly threatening prospect and absolutely shudder to think of the repercussions for veterans' benefits and services should the top jobs at the VA's 172 medical centers and 58 regional benefits offices become the subjects of political patronage. Although misbegotten attempts to treat some of these positions in that way were made in the early 1970's, they largely failed, and these key civil-service management positions have by and large been filled on the basis of performance and merit. They should not get into the "plum book".

It has been my experience over the years that we are best able to meet the needs of our Nation's veterans when we proceed in a nonpartisan fashion. I am convinced that infusing partisan politics or political patronage into the operations of the VA in the way the House-passed bill would do would be extremely unfortunate for the millions of American veterans who depend on the VA for their health and sustenance.

In this regard, I am particularly concerned with the impact of turning the agency's Chief Medical Director and Chief Benefits Director political appointees. These two positions traditionally have been non-political, and I see absolutely no gain from changing that practice.

With particular reference to the Chief Medical Director, section 4103(b) of title 38, United States Code, provides for the appointment of a Chief Medical Director for a 4-year term, which may be renewed or extended. This term-appointment is intended to provide for professional continuity and stability in the leadership and management of the VA's Department of Medicine and Surgery in order to facilitate the development and implementation of goals and plans beyond the short term, all with the care and welfare of veteran-patients being of paramount importance. Under the current law, Congress has been clear that it intends that the day-to-day affairs of DM&S be managed by a non-partisan physician Chief Medical Director, subject to the general supervision of the Administrator. The statutory scheme contemplates medical, not political, leadership and management of the Department of Medicine and Surgery.

In recent years, there has been a practice -- strongly encouraged by the Congress and veterans' service organizations -- of Chief Medical Directors serving out full 4-year terms beginning in one Administration and carrying over into the next one. Indeed, two recent former Chief Medical Directors received extensions beyond their 4-year terms under Administrations of the political party other than the one under which they were first appointed.

I consider the appointment of a Chief Medical Director to be probably the most important single decision an Administrator will ever be called upon to make. A Chief Medical Director must be the very best, most highly qualified physician available who has the capacity to provide stable, effective, highly professional leadership for a long period extending beyond the current Administration and to sustain the morale of the approximately 200,000 DM&S employees.

The Chief Medical Director must not be turned into either a passive observer or active participant while the Office of Management and Budget attempts to carry out the agenda it has promoted -- thus far largely unsuccessfully -- for the last 2 decades of reducing the size, scope, and significance of VA programs.

In my view, professionalism, strong leadership qualities and management skills, and deep sensitivity, along with a demonstrated commitment to meeting veterans' needs, are the qualities that should be sought in a Chief Medical Director. The same should be true of the Chief Benefits Director and has been for the last 10 years or more. There is no place for "correct" political philosophy in that equation.

There are other respects in which I believe that the House-passed measure attempts far too much administrative reorganization or would create organizational rigidity, and I will submit my ideas to you in those respects subsequently.

One final thought in closing -- I am aware of the many editorials opposing giving the VA Cabinet status. Much of the opposition seems to be based on the premise that veterans receive too much in the way of federal benefits and services already and that placing the VA in the cabinet will increase that perceived disparity. Many supporters, on the other hand, seem to believe that placing the VA in the Cabinet will guarantee veterans a strong advocate before the President. I think both sides may be overestimating the impact of a change in status. Although I reject the view that existing veterans benefits and services are excessive -- you will be receiving much testimony, I am sure, about how the VA budget has declined substantially as a proportion of both total federal expenditures and GNP -- I also do not believe that placing the head of the VA in the Cabinet will necessarily lead to any greater resources for the VA in real terms. Being heard and being able to prevail are very different results.

I know your Committee will be carefully considering and addressing the difficult issues involved in changing the status of the VA and in crafting appropriate legislation. Again, I commend to you the approach of Senator Thurmond's bill, S. 533, and offer you the full cooperation of our Committee and its staff as you proceed.

TESTIMONY OF SENATOR TOM DASCHLE
BEFORE THE
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
MARCH 15, 1988

Mr. Chairman, I am pleased to have the opportunity to testify today on S. 533, legislation establishing the Veterans Administration as an executive department. I am proud to be a co-sponsor of this bill, and want to emphasize my continued support for S. 533.

The significance of this bill has become well known during the past year. The overwhelming support of numerous veterans service organizations, the President, and a majority of members of the Senate suggests that we have before us a proposed change whose time has come.

As you are well aware, Mr. Chairman, with a staff exceeding 240,000 and a budget this fiscal year of over $28 billion, the Veterans Administration is the largest independent agency of the federal government. The VA is responsible for the operation of the largest health care delivery system of its kind in the world. It is also charged with administering over $15 billion in compensation, pension and benefit programs to the people this nation owes our freedom and liberty, America's veterans.

Despite these phenominal responsibilities, the Administrator of the VA is not given the access to the President afforded to the administrators of federal departments. The vast resources available to the VA suggests that such representation is long overdue.

The President's cabinet serves, among other roles, as a source of direction for developing national policy decisions. The cabinet offers direct input to the President on the efficient execution of federal programs. The immense duties carried out by the VA, from internationally recognized medical research to administering disability payments to those who laid their lives on the line for this nation, suggests to me that a Department of Veterans Affairs represents sound judgement toward effective decision making.

Opponents of this bill like to tell Congress that it is special interest legislation. They are wrong!

The only special interest represented by America's veterans is the freedom of this nation. The men and women who, often through acts of great suffering and selflessness, defended our ideals and our freedom deserve to be heard at the highest level of government. America's veterans have earned access to the President, and that is exactly what this bill will give them.

From the stand point both of governmental efficiency and of fulfilling our commitment to our veterans, a Department of Veterans Affairs makes perfect sense. I look forward to working together with you, Mr. Chairman, to make certain this Department becomes a reality.

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STATEMENT BEFORE THE
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
BY
CHARLES M. WILLIAMS
EXECUTIVE DIRECTOR, AMERICAN EX-PRISONERS OF WAR
WITH RESPECT TO
A BILL ELEVATING THE VETERANS ADMINISTRATION
TO
CABINET STATUS

WASHINGTON, DC DECEMBER 9, 1987

WE EXIST TO HELP THOSE WHO CANNOT HELP THEMSELVES.

Mr. Chairman and Distinguished Members of the Committee

We are pleased to appear before you and present the views of those veterans who lost their freedom while defending our great country in time of war. As tragic as that was, there is no better lesson for learning just how valuable liberty—and our nation—really are.

Our governmental institutions are the means by which our nation seeks to fulfill its solemn commitment to its citizens and to maintain its international leadership role. Through these institutions, citizens are able to communicate, not only their own concerns, but also their ideas and sense of dedication to the great promise that democracy holds for us all.

Mr. Chairman, there is no group of citizens more strongly dedicated to making the American dream a reality than veterans. Together, with their families who shared their sacrifices—and continue to share this dream—they have always been willing to give much more than they receive. Yet this important and large segment of our society has not had an equal opportunity with other worthy groups to express their ideas and commitment to the goals of our nation—and to the solution of crucial problems—as well as to communicate their own needs and concerns.

I believe our nation misses that collective—and patriotic—voice in its deliberations on national and international issues. Whatever the issue, our President needs to know—and to feel—the good sense and optimistic spirit it reflects. The contribution that veterans may bring to the solution of these complex problems is invariably positive and will strengthen the nation's resolve to confront and solve those great problems for the best interests of us all.

We believe the elevation of the Veterans Administration to an Executive Department—with the Administrator a member of the President's Cabinet—will provide that voice. By doing so, the needs of our nation—and of our veterans—will be far better served.

Mr. Chairman, we wholeheartedly support and endorse this action.

Thank you.

Statement

of

William T. Butler, M.D.
President
Baylor College of Medicine
Houston, Texas

before the

Committee on Governmental Affairs
United States Senate

on behalf of

the

Veterans Administration Special Medical Advisory Group

Mr. Chairman and members of the Committee:

I am Dr. William T. Butler, President of Baylor College of Medicine in Houston, Texas. My statement represents the views of the Veterans Administration (VA) Special Medical Advisory Group (SMAG), a Congressionally mandated panel on which I serve as Chairman. I want to thank you for this opportunity to present a statement on this important issue to the veterans health care system.

Today, I will confine my remarks to only one aspect of the bills before this Committee: the manner in which the Chief Medical Director (CMD) of the VA's Department of Medicine and Surgery (DM&S) would be appointed under the various legislative initiatives elevating the status of the VA to the Executive Department level. Given my background in academic medicine and research, I feel it would be improper for me to comment on other areas of the legislation.

Let me begin by providing you with some background information. The establishment of the SMAG was mandated by Congress in order to provide the VA Administrator and the CMD with timely and critical advice from leaders in the national medical community on patient care and other relevant issues of the veteran population. Members of SMAG include representatives from the professional medical community, the veterans service organizations, the hospital industry, the federal medical community, professional nursing, and academic medicine. The advisory role played by SMAG, reflected in its annual report to the Congress, has been essential in keeping the patient care, educational, and research missions of the VA at the forefront of the national medical scene. Among the topics which the SMAG has examined recently are alternatives to institutionalization of VA patients, advances in rehabilitative research, third-party reimbursement for certain VA patients, mortality and morbidity data from VA Medical Centers, and shortages of nurses and other health professionals.

Mr. Chairman, it has been my privilege to serve on SMAG for more than six years. During that time, I was also privileged to aid in the selection of the two most recent CMDs, as a member on ad hoc search committees appointed by the VA Administrator. The purpose of these search committees was to search widely for qualified applicants, review the applications and nominations for the CMD, analyze their qualifications for the position, and ultimately make recommendations to the Administrator for his final selection. Representation on the search committees was similar to that which serves on SMAG: organized medicine, veterans' service organizations, and academic medicine. In addition, representatives from the Administration were also members of the search committees.

It should be recognized that the CMD is directly responsible for the operation of the nation's largest integrated health care system, composed of 172 medical centers, over 225 outpatient clinics, 100 nursing homes, and employing approximately 200,000 health care and administrative personnel. The CMD also has responsibility for academic educational programs supporting all or a portion of the education and training of nearly 100,000 students, as well as providing continuing education for VA employees. Thus, the CMD must have not only the full confidence of the personnel within the VA System, but also must have an integral working knowledge of academic affiliations and an indepth knowledge of the country's non-federal as well as federal health delivery system.

I want to say a word about the link between medical schools and the Veterans Administration. This link comes about as a result of affiliation agreements currently existing between 101 medical schools and 133 VA Medical Centers. The affiliated medical schools are responsible for the residency training programs for physicians in graduate medical training. In complementary fashion, the VA Medical Center is often one of the medical schools' major teaching hospitals, serving as a training site for medical students, interns, and residents -- the physicians of the fashion. Further, the academic atmosphere created by the research and education program of an affiliated medical school aids in recruiting highly qualified personnel to VA medical centers. Thus, the relationship between the VA and the academic medical community is certainly of mutual benefit.

The reason for having broad representation on the search committee by having participants from the VA, academic institutions, veterans service organizations, and organized medicine is so that candidates finally recommended to the Administrator will be acceptable to all the VA health care constituencies which are absolutely vital to the success of the VA operations. When a list of candidates is transmitted to the Administrator, it is a list of persons for whom a consensus has been developed and, in the consensus building process, the various constituencies commit to support the candidates recommended to the Administrator. Therefore, the process not only builds consensus, but builds commitment assuring continued success of the VA Health Care System.

During each of the last two search processes, the committees conducted very careful and exhaustive searches and received over 100 nominations for the CMD position. Each nominee was screened and analyzed for educational background, post graduate training, board certification, administrative and academic experience, leadership roles in major health policy organizations, government and military services, and working knowledge of the VA Health Care System, among many other things.

Eventually, 10 or so select candidates were called in for personal interviews by the entire committees before the final recommendations of three to five candidates were made to the VA Administrator. During his ensuing deliberations, the Administrator informally consulted with a number of the members of the search committees about specific areas of the candidates' qualifications. Thus, prior to his final selection for the CMD position, the Administrator had the opportunity to use the collective and individual wisdom of all the members of the search committees.

Thus, based on my past experience with the search committee process for selection of the CMD, I urge your Committee to adopt a provision codifying such a process as part of the appointive system. Such a provision is essential if the wide and diverse scope of constituencies involved with veterans' health care is to be retained under the statutory search process. To do otherwise, I believe, might compromise the person appointed to the position and ultimately hinder his or her ability to perform the responsibilities of the office in a manner that would have greatest benefit to the veterans of our country. I would also suggest that the new Secretary of Veterans' Affairs, who will be created if this legislation under consideration should pass, appoint and charge a search committee or commission. I believe this is important because it would make the members of the committee aware of the Secretary's agenda for the Department, and will help them select candidates that will be able to work in a complementary fashion with the Secretary. It would be in no one's best interest -- certainly not the veterans -- to have a CMD who would not be able to work within the parameters set by the head of the Department.

In codifying the search process, it would seem logical and consistent to have the committee or commission make recommendations to the President for final selection of the CMD with the Secretary commenting on each of the recommended candidates. When I initially pondered this aspect of the selection process, I had some concerns that appointment by the President could cause political, rather than professional, qualifications to be paramount in this decision-making process. However, given the fact that the President would be given a list of candidates from a qualified panel of concerned and interested professionals, and that the Senate must give its advice and consent to the President's choice -- and presumedly the Senate will know whether the President's nominee was supported by the search committee -- I feel confident that the CMD selected by the President will be among the most highly qualified individuals. Further, it would give the position of CMD the authority and the prestige that come with appointment by the President.

In summary, I believe the CMD holds one of the most important medical positions in the country. The best qualified person available -- in medicine, in education, in public service, in administration and in experience -- should be sought out for this position. The Office of CMD should be one with stability, not subject to political whim. The selection process should include representation and consultation from organized medicine, academic medicine, veterans' service organizations, and those groups that play a vital role in the success of the health care system for our veterans. A properly constituted selection committee or commission of these representatives could screen the hundreds of qualified applicants and conduct interviews with leading candidates. The top candidates -- I would suggest three to five -- could then be submitted, with comments from the Secretary, to the President for the President's final selection.

I believe such a system would assure the selection of a qualified CMD supported by a broad consensus and commitment of the constituencies of the VA medical system which are required for its successful operation. At the same time, the process would add the prestige of Presidential appointment to the position.

Thank you, Mr. Chairman and members of the Committee, for allowing me to present my views and those of the SMAG on this matter that is most important to the Veterans' Health Care System. I am confident that the manner in which the CMD is to be selected and appointed will ensure that the veteran population continues to receive the highest quality health care that we are able to provide. I would be pleased to help you further in any way I can.

THE NON COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA

"STRENGTH IN UNITY"

Statement of

Richard W. Johnson, Jr.
Director of Legislative Affairs

submitted to the

Committee on Governmental Affairs
United States Senate

on

S.533

December 9, 1987

NATIONAL CAPITAL OFFICE
225 N. Washington Street • Alexandria, VA 22314 • Tele: (703) 549-0311

The Non Commissioned Officers Association of the USA (NCOA), representing more than 170,000 active, reserve, retired and veteran noncommissioned and petty officers of the Army, Marine Corps, Navy, Air Force and Coast Guard, sincerely appreciates this opportunity to comment on legislation to establish the Veterans Administration as an executive department. NCOA fully supports the concept and urges the committee to advance a bill.

NCOA is most favorably disposed to legislation which is comprehensive in defining the Department of Veterans Affairs along with its various divisions, staff positions, etc. That includes redefining subordinate positions within the agency to establish a proper protocol and ranking of assistant secretaries and senior positions consistent with other cabinet agencies. The House bill, H.R. 3471, seems the most comprehensive and is thus endorsed by NCOA. However, NCOA would be more comfortable with a provision directing that the politically appointed Chief Benefits Director be selected from the career staff of the agency. NCOA firmly believes the technical understanding of veterans' programs brought to this job by a career VA employee is crucial to providing equity and uniformity in benefit determinations. NCOA would also like to take this opportunity to comend Senator Strom Thurmond, sponsor of S.533, whose initiative and leadership has made consideration of this issue possible. The association is sincerely grateful for his efforts on S.533 and H.R. 3471. Yet whatever legislation is adopted, the VA should be elevated to cabinet status.

The Veterans Administration is currently the largest independent agency of government. Its workforce of more than 240,000 is second in size only to the Department of Defense. Its budget is the fifth largest in government and is greater than the combined budgets of the Departments of Energy, Interior, Justice, State and Commerce

Medical Care

Of the $28 billion spent by the VA nearly $10 billion goes to providing medical care through the largest medical care system in the free world. That system employs 12.000 doctors. 7.000 residents. 30.000 nurses and 5.000 contract physicians in more than 172 medical centers. 229 outpatient clinics. 117 nursing homes. 16 domiciliaries and 189 vet centers. The system contains nearly 80.000 acute care hospital beds. 12.000 nursing beds and 6.000 domiciliary beds. Altogether. the VA treats about 1.5 million inpatients. 20 million outpatients and 35.000 nursing patients each year.

Compensation and Pension

Almost $10 billion is paid as compensation to veterans who were disabled by service in the armed forces and to the survivors of veterans who died in service or from a service connected cause. Another $4 billion goes to help destitute war veterans and their survivors as pensions. Nearly 4 million veterans and their survivors are affected by this program.

Education

More than 18 million veterans have benefited from post service education and training programs since the G.I. Bill was enacted in 1944. More than $1 billion will go to assist 425.000 veterans this year in a program more valuable than its original sponsors could have imagined.

Burial

The VA Department of Memorial Affairs administers more than 9.900 acres of land in 111 national cemeteries. More than 52.000 veterans are buried in national cemeteries each year -- a number that is expected to rise to 80,000 by the year 2000. In addition, the VA provides nearly 250,000 headstones each year for veterans.

Loan Guaranty

In one of the most ambitious and successful housing programs in government, the VA has guaranteed loans on more than 12 million homes sold to veterans. Nearly 310,000 veterans benefited from the program in 1986.

Beneficiaries

Altogether the VA administers programs to the benefit of more than 27.8 million living veterans. Another 50 million survivors, family members and dependents of veterans are also affected by VA policy and benefit programs.

Mission and Scope

As noted above, the mission and scope of VA activities is among the most extensive in government. Its size and budget justify its establishment as a cabinet department. In addition, the far reaching policy decisions, particularly those affecting the medical care and loan guaranty programs, deserve Presidential and cabinet consideration. Under the current system the Office of Management and Budget (OMB) exercises entirely too much authority over VA programs and policies. Because of this the VA cannot be held to the same standards of accountability as executive departments.

Conclusion

The mission and policy responsibility of the Veterans Administration are, because of their size and scope, important to all citizens, not just veterans. Accordingly, NCOA believes issues of such importance should be addressed at cabinet level. Appended hereto is a resolution adopted by the members of the Non Commissioned Officers Association at its most recent convention in support of this initiative.

RESOLUTION NO. 87-026

Cabinet Status for VA

WHEREAS, there are more than 27 million living veterans; and,

WHEREAS, all are eligible for some benefits and services from the Veterans Administration; and,

WHEREAS, the Veterans Administration is the second largest agency of the Federal Government; and,

WHEREAS, the Veterans Administration has an annual budget of over $28 billion and an average employment of 244,000 employees including 12,000 doctors and 30,000 nurses; and,

WHEREAS, the Administrator of Veterans' Affairs must make policy and implement veterans' programs; and,

WHEREAS, the VA is larger than all but one cabinet department,

THEREFORE BE IT RESOLVED, the Non Commissioned Officers Association of the USA (NCOA) supports the elevation of the agency to departmental level with full cabinet status for its head.

Veterans Due Process INC.
P.O. BOX 68237 PORTLAND, OREGON 97268-0237
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Written statement of

VETERANS DUE PROCESS, INC.

Prepared by

PHILIP E. CUSHMAN
NATIONAL PRESIDENT

Submitted to the

UNITED STATES SENATE

COMMITTEE ON

GOVERNMENTAL AFFAIRS

Concerning

S. 533

To establish the Veteran's Administration as an executive department.

April 11, 1988

Mr. Chairman and Members of the Committee:

Veterans Due Process, Inc. (VDP), would like to thank you (and Mr. Paul Light with your staff) for the opportunity to submit written testimony concerning S.533: a bill to establish the Veterans' Administration (VA) as an Executive Department. We believe that the information contained herein, is vital to your full Committee consideration of the bill on April 14, 1988.

VDP, an Oregon based non-profit veterans rights corporation, is a grass roots group of veterans from World War I, World War II, Korea, Vietnam, etc., from across America, who share a common belief that veterans should not be stripped of the fundamental "due process of law" legal protections guaranteed to every citizen by the United States Constitution, simply because we have patriotically and honorably served America, and defended her Constitution. We believe that we speak for every veteran in America, who is presently unaware that they, as veterans, do not have the basic American rights which they served to protect for every other citizen.

We also believe that we speak for the vast majority of the members of the major national veterans organizations, who have not been told, and consequently do not understand, that they, as veterans, have been stripped of the fundamental American legal protections, which they served to protect for every other American. We also believe that we speak for the vast majority of veterans who do not belong to any veterans organizations. Finally, and perhaps most important, we believe that we speak for America's **FUTURE** veterans, who, unconscionably, are not **warned** that if they are injured defending the United States Constitution and our "American System of Justice", that they will be stripped of its protections for the rest of their lives, concerning any such injuries.

VDP supports the concept of elevating the VA to Cabinet level, but we carefully emphasize that our primary reason for that support, is because we would hope that Cabinet status will result in a greater level of meaningful outside **SCRUTINY**, into a VA **system** (**IRON TRIANGLE**), which has proven itself to be seriously flawed, and consequently in extreme need to brought under control of law. We also believe that after your Committee has read this testimony, that judicial-review language will, with a certainty, become an indispensable and vital part of the VA Cabinet bill.

As you know, jurisdiction concerning the VA Cabinet status bill, rests with your Committee, in part, because of the designated function which indicates:

> " . . . to which committee shall be referred all proposed legislation . . . relating to the following subjects . . . Organization and **reorganization** of the

executive branch of the Government . . . "

During the month prior to your March 28, 1988, hearing concerning S.533, a significant amount of attention and controversy was caused by the effort to add a **judicial-review** provision to the VA Cabinet level bill. As you know, a judicial-review provision to the elevation bill, would restore to America's battle-injured defenders, who were injured defending the United States Constitution and our "American System of Justice", the fundamental "due process of law" legal protections (concerning VA decisions), guaranteed by that Constitution, and given meaning by our system of justice. You are aware that under present VA law, a battle-injured veteran who believes that he has been wrongfully and/or illegally denied necessary VA medical care treating war injuries, or reasonable VA disability compensation concerning those battle-injuries, is denied the right to appeal such a VA decision to a fair and **IMPARTIAL** court of law (see 38 USC 211a), and is effectively denied the freedom to spend his own money to hire an attorney to protect his legal rights (see 38 USC 3404, 3405).

In an article which appeared in the Washington Post on March 29, 1988, Senator Glenn was quoted as saying:

> "I would think that the veterans organizations would be in here, **clamoring** for judicial review."

Senator Glenn is absolutely correct, and therein raised a question which we believe you will agree, demands an answer! Why isn't the **LEADERSHIP** of the major national Congressionally chartered veterans organizations, such as the American Legion, Disabled American Veterans, Veterans of Foreign Wars, Amvets, etc., "**clamoring**" for judicial-review, like VDP and the leadership of the Vietnam Veterans of America (VVA)? The answer to that question not only holds the **key** to the restoration of fundamental guaranteed "due process of law" legal protections, to Americans injured defending the Constitution, but will also ultimately bring the VA under the control of law.

The above referenced Washington Post article also indicated that "Senator Glenn and others on the committee appeared poised to insist that it (judicial-review) be added to the measure", but that after "what some staff members described as a week of **unprecedented lobbying** by veterans in the states of committee members", that Senator Glenn announced that he would not press the issue, and said:

> "I don't plan to clutter things up in this committee . . . Judicial review is in the jurisdiction of another committee and the two issues should be considered separately."

VDP strongly believes that jurisdiction concerning VA elevation to Cabinet level, especially with a judicial-review provision made a part of that bill, is, jurisdictionally speaking, given the nature of the VA "Iron Triangle" system, **precisely** within other specified areas of your committee's mandated function, which appear, in part, as follows:

> " . . . to which committee shall be referred . . . matters relating to the following subjects: . . . Intergovernmental relations . . . (and) Such committee shall have the duty of . . . **studying the efficiency, economy, and effectiveness of all agencies and departments of the Government** . . . "

VDP believes that this testimony will cause you to not only include Judicial-Review Language into the VA Cabinet Status bill, but that it will also cause your Senate Committee on Governmental Affairs, to initiate a full scale, in depth Congressional investigation, into the entire existing **system** of veterans justice, known as **"THE IRON TRIANGLE."** That "system" has caused countless thousands of unsuspecting patriotic young Americans (later injured on foreign battlefields), who are guilty only of honorable and patriotic service to our great country, to be stripped, **without warning**, of the very rights, freedoms and basic legal protections, which they fought to protect for every other American. Attached, is a copy of an article which appeared in the Congressional Quarterly Weekly Report dated June 14, 1980 (pages 1627-1634), which concerns the "Iron Triangle." Also attached, is an article which appeared in The Detroit News on November 11, 1987, entitled **"The Veterans Fraternity"**, which provides various interesting insights into the VA "system" herein discussed.

Senator Glenn knows that the **leadership** of the major national veterans organizations, should be the **watchdogs** of the rights of their **rank and file** members, but the incredible fact of the matter is that since 1933, America's battle-injured veterans have had fewer legal rights than any other segment of the American population! How can that be possible? "**Why** have the watchdogs of veterans rights, failed to ensure that battle-injured veterans, **who want to** have meaningful access to the American system of justice, which they were injured defending, enjoy that right?

VDP believes that the answer to that question appeared in a Wall Street Journal article dated July 14, 1986, concerning the VA judicial-review bill then pending before the House Veterans Affairs Committee. That article indicated, in part:

> " . . . he (Congressman Don Edwards) even thinks his friend, Sonny Montgomery, **stacked** recent hearings on the bill, in favor of opponents. Further, he charges the VA virtually "**BLACKMAILED**" major veterans organizations into opposing the measure. A letter

> from a VA official warned these organizations they could lose their free space and telephone lines at VA regional offices (authorized by 38 USC 3402) if this proposal became law."

VDP believes that the Senate Committee on Governmental Affairs, in the name of justice and equity for the battle-injured defenders of our great country, as well as all future unsuspecting veterans, must, as precisely mandated by your specified duty to "study the efficiency, economy, and effectiveness of all agencies . . . of the government", investigate the VA's use of **"blackmail"** tactics, to control the majority of the **leadership** of the major national veterans organizations, which permits the VA to wrongfully and/or illegally violate the "rights" of helpless veterans by utilizing "Quota Systems", etc., in the interests of the budgetary/economy concerns of the Office of Management and Budget (OMB).

HOW VETERANS BECAME SECOND CLASS CITIZENS

When the United States Congress closed the courts of America, to battle-injured veterans, by passage of **"ECONOMY ACT"** (H.R. 2820: "An Act to maintain the credit of the United States Government" -- section 5), which became law on March 20, 1933, President Roosevelt had already declared a Presidential proclamation of **National Economic Emergency**, and told the Congress in his inaugural address:

> "But in the event that the Congress shall fail to take one of these two courses, and in the event that the national emergency is still critical, I shall not evade the clear course of duty that will then confront me. I shall ask the Congress for the one remaining instrument to meet the **crisis** -- broad Executive power **to wage a war against the emergency**, as great as the power that would be given to me if we were in fact invaded by a foreign foe." (see Congressional Record (**CR** herein)- Senate, March 4, 1933, page 6)

Many members of Congress were aware of the awesome significance of what President Roosevelt was **attempting** to do. For example, on March 11, 1933, Representative Tarver said:

> "The first section of article I of the Constitution provides:
>
> > **All legislative powers herein granted shall be vested in a Congress** of the United States, which shall consist of a Senate and House of Representatives.
>
> In this bill it is proposed to **give the President** of the United States **legislative power**, in the face of the

> Constitution. **It is an abdication by Congress of its constitutional rights, DUTIES, and powers.** Rather than vote for such a bill, a Member should surrender his seat and go home" (see CR, page 218, March 11, 1933).

On March 16, 1933, Congressman James Willis Taylor, of Tennessee, expressed disapproval of the "GAG RULE," particularly when it was invoked to pass legislation of such far-reaching importance and consequences as the National Economy Act:

> "I am opposed to this legislation for three major reasons: First, I am against it because IT VIOLATES THE VERY FUNDAMENTAL PRINCIPLES UPON WHICH OUR GOVERNMENT IS FOUNDED, in that it provides for an INVASION of the functions and prerogatives of both the LEGISLATIVE AND JUDICIAL departments of the Government by the Executive. * * * Second, I am opposed to this bill because IT SETS UP A DICTATORSHIP IN THE UNITED STATES, the like of which has seldom been attempted in the history of the world. The AUTOCRATIC NATURE of this bill attains its climax in section 5, which is as follows:
>
> > "All decisions rendered by the Administrator of Veterans' Affairs under the provisions of this title, or the regulations issued pursuant thereto, shall be final and conclusive on all questions of law and fact, and NO OTHER OFFICIAL or COURT OF THE UNITED STATES shall have jurisdiction to review by mandamus or otherwise any such decision."
>
> NOW
> 38 USC 211
>
> And third, I am against this measure because it is UNFAIR, UNJUST, AND CRUEL to our ex-servicement and their dependents, and SUBVERTS AND UPROOTS THE POLICY OF TREATMENT accorded our soldiers and their dependents which has DISTINGUISHED OUR NATION FOR GRATITUDE and liberality to those who RALLIED TO THE COLORS IN TIMES OF STRESS AND STORM.
>
> Mr. Speaker, I yield to no one in my zeal for economy in Government and my desire to see our national budget balanced; but I most respectfully decline to be a party to restoring our financial equilibrium at the expense of our crippled and diseased ex-servicemen, along with their widows and orphans. "IF THIS BE TREASON" TO THE ADMINISTRATION, MR. SPEAKER, "MAKE THE MOST OF IT." (see CR, March 16, 1933, p. 564)

The **MENTALITY** and "emergency"/panic atmosphere which caused its passage, can perhaps best be found in the words of Represenative Woodrum, on March 16, 1933, **prior** to passage:

> "Of course, Mr. Speaker, all of us are **assuming** that the President and his administrative assistants are going to exercise this great power cautiously and wisely to the end that so far as may be humanly possible **justice may be done between the veteran and the TAXPAYER, WHO, AFTER ALL, HAS TO PAY THE BILL**." (see CR, March 16, 1933, page 549)

Who pays the bill for whom? State departments of some national veterans organizations who knew the answer to that question, expressed deep concern to Congress, **prior** to passage of the "Economy Act", attempting to avoid the second class citizenship which would certainly result, if the courts of America were closed to her battle-injured veterans. For example, on March 11, 1933, the Veterans of Foreign Wars sent a telegram to Congress, signed by Kenneth A. Bixler, adjutant, and W.R. Ambrose, commander, which said:

> "At joint meeting delegates of all posts, Veterans of Foreign Wars of Minnesota, held Minneapolis tonight, voted unanimously **oppose granting DICTATORIAL powers to President**, and are absolutely oppossed cutting veterans' benefits; emphatically demanding our Government remain a people's government; **that its defenders be not betrayed.**" (see CR, March 11, 1933, page 209)

It is clear that the **leadership** of some of the national veterans organizations were aware of the terrible wrong which was in the making, and tried to avert it, to no avail.

Regardless of many protests, Congress did abdicate its legislative power to the President, by passage of the Economy Act. Incredibly, the bill which had been introduced in Congress on March 10, 1933, took only a few days to pass, as did much other **EMERGENCY "NEW DEAL"** legislation such as the N.R.A. (National Recovery Act).

The record indicates that President Roosevelt appears to have allowed VA bureaucrats to determine to exactly what extent, the "Economy Act" would cut the VA budget. The draconian nature of VA plans, were mentioned by Representative Lundeen, on June 15, 1933, as follows:

> "Here are the figures which the Veterans' Administration thought best to **keep secret**. These figures were published by Congressman Crosser, of Ohio, on May 29, 1933, in the Congressional Record. (see CR, June 15, 1933, page 6175)

Those figures indicated that the VA (the advocate of the veteran), had decided to **reduce the dollars expended on** service-connected **disabled veterans of WW I, by more than 70%**. The VA also planned to **reduce the dollars expended on VA hospital services, by 80%**. It was, at that point in time, absolutely clear whose side the VA was on. That executive branch creature of budget/economy, showed its true colors.

The news rapidly spread throughout Congress, about what VA bureaucrats, armed with awesome "Economy Act" powers, intended to do to the nation's injured defenders. Many Members of Congress, finally understanding the true nature of deception which had been perpetrated on them, protested. For example, on June 1, 1933, Senator Robinson of Indiana said:

> "In order to do this terrific injustice to the defenders of the Nation, the President of the United States sent that infamous measure here to us labelled "A bill to maintain the credit of the United States. **It was of course misrepresentation of the worst hue. It was trickery and nothing less than that, because it had a sound with its weazle words that might somehow or other be attractive to the American people. Everybody knows now that it was deceit, pure and simple**." (see CR, June 1, 1933, page 4746)

On June 2, 1933, Senator Bronson Cutting of New Mexico indicated:

> "I am one of the people who do not believe that there was a single fair line in the so-called "Economy Act." **I believe it was the most infamous act ever passed by the Congress of the United States. I believe it ought to be repealed from top to bottom**." (see CR, June 2, 1933, page 4815)

On June 2, 1933, Senator Huey Long said:

> "How long are we going to sit here and see people turned out of hospitals and starved to death by these little 2-by-4, squinteyed experts, fumbling around under their desks and issuing pronunciamentos, and **exercising more authority than the 96 Members of the United States Senate? It is one of the most disgraceful things that have ever occurred in the history of our country** . . . Instead of being men, standing up on 2 legs and 2 feet, and **running this Government for the people of the United States**, we are authorizing some little 2-by-4, two-bit job-hunting politician **to prescribe limits and rules under which he will work**, and **then he goes off and does what he pleases.** That is the trouble with the whole "plague-take-it" outfit, and **that is the reason why the veterans are in the fix in which they find themselves today**." (see: CR, June 2, 1933, page 4811)

On June 1, 1933, Senator Robinson of Indiana said:

> " . . . the President of the United States never can escape responsibility for the injustices that have (and will) come about as a result of the so-called "Economy Act." (see CR, June 1, 1933, page 4747)

Concerning such "injustices", VDP is aware of recent suicide deaths, which VDP believes were directly caused by the present VA "system of justice." Please advise if the Committee would be interested in such information. It is interesting to note that such suicides were predicted in "Economy Act" oriented books written during that period:

> "There are in the country today thousands of obscure men to whom such words would come as suggestion -- as a call to self-immolation on **the altar of human rights** -- thousands of border-land minds. The police and the doctors know some of them, but not all. **If the world ever learns their faces, it will be in one instant, in the light of a revolver's flash. But will the guilt be theirs?"** (see Soldiers What Next!, by Katherine Mayo, 1934)

VDP believes that history will record that Senator Cutting was correct during 1933, and that the "Economy Act" will ultimately be recognized as the most infamous act ever passed by the Congress of the United States. We also believe that the resultant VA (Executive Branch of Government) abuse perpetrated on countless thousands of trusting and **unsuspecting** battle-injured veterans, and caused by the fact that the "Economy Act" has not been repealed, will also ultimately be recognized as being the greatest "national scandal" in the history of America.

It is interesting to note that during 1935, that the earlier mentioned "N.R.A." (National Recovery Act), which was based on the same "emergency" as was the "Economy Act", was the subject of a Supreme Court case, wherein the Court held that:

> " . . . extraordinary conditions do not create or enlarge constitutional power" and "it is enough to say that the recuperative efforts of the federal government must be made in a manner consistent with the authority granted by the Constitution." (see Schechter Poultry Corp. v. United States, 295 U.S. 495 (1935)

Such New Deal emergency legislation, was thus held invalid, in part, on the ground that **it delegated unlimited legislative power to the President**. Unfortunately, America's battle-injured defenders **continue** to be denied all meaningful access to the **American system of justice** which they were injured defending, based on the same "emergency."

It is also interesting to note that during 1934, the Supreme Court had perceived the rights of America's battle-injured defenders, in a different light, and accordingly determined that it was the **INTENT of the United States Congress**, that VA medical care treating war injuries, VA disability compensation concerning war injuries, and all other veterans' **non-contractual** "benefits", have the legal significance of nothing more than **GRATUITIES (GIFTS).** That 53 year old Supreme Court case which held that veterans benefits are nothing more than **gifts**, provided, in pertinent part that:

> "Pensions, **COMPENSATION ALLOWANCES, HOSPITAL**, and other privileges . . . are **GRATUITIES. They involve no agreement of parties; and the grant of them creates no vested right**. The benefits conferred by gratuities may be redistributed or withdrawn at any time in the discretion of Congress." (See Lynch v. United States, 292 U.S. 571, 577 (1934)

"GRATUITIES"! The dictionary definition of a gratuity is: "Something given voluntarily or **beyond obligation** --- given **unearned.**" Could it really be true, that VA medical care, and service connected disability compensation which arise from severe injuries suffered by our nations defenders on foreign battlefields, are "unearned" or "beyond obligation" of the United States Government? **UNEARNED**?? **BEYOND OBLIGATION**?? Does the Senate Governmental Affairs Committee agree that such is the **intent** of Congress?

Ever since 1933, the VA has been totally under the control of an "economy/budgetary" mentality. Today, the Office of Management and Budget (OMB), essentially dictates policy to the VA. VDP believes that the Senate Committee on Governmental Affairs, aware of the serious abuses of veterans perpetrated by the VA, as evidenced by this testimony, and also during the February 18, 1988, hearing conducted by Rep. Ted Weiss, which concerned the VA's disability compensation programs, should insist on judicial-review provisions as a part of any bill to elevate the VA to full Cabinet Status. VDP also believes that the present VA **"QUOTA SYSTEM"** should be another vital consideration to your committee. We believe that such a quota system, by itself, **DEMANDS** that veterans have access to a fair and impartial court of law.

During recent years, there have been many people who knew that the VA system of justice was broken, and who have attempted to focus attention on the realities of certain **requirements** of that system. For example, many Federal VA employees know what is being done to America's veterans, and are opposed to the present system, as indicated by the testimony (copy attached) of Kenneth T. Blaylock, President of the American Federation of Government Employees (AFGE), before the House Veterans Affairs Committee on November 9, 1980. Mr. Blaylock represents 116,000 VA employees, and said:

> "Under current law, veterans have been relegated to the status of second class citizen, who are denied the same right of judicial review available to most other beneficiaries of federal entitlement programs."

He contended that:

> "Veterans making an appeal to the Board of Veterans Appeals (BVA) are under a serious disadvantage. Whereas appeals to the Social Security Administration are decided in favor of the claimant in two out of three cases, actual results support or favor the veterans claims in the Board of Veterans Appeals in only one out of ten cases."

Moreover, Mr. Blaylock indicated:

> "that it appears to us as though large numbers of veterans have not received the benefit of reasonable doubt on any consistent basis."

He concluded his remarks by saying that his membership have expressed considerable dissatisfaction with a policy which denied veterans the right to judicial review primarily because of a **lack of an effective institutional check on arbitrary and impermissable action.** VDP believes that Mr. Blaylock's words are as true today, as they were then. We therefore recommend that the Committee question him.

Another view into what is actually happening inside the VA system of "justice", was achieved a few years ago, and the attached testimony of Norman J. Johnson was taken from the Hearings record before the Committee on Veterans' Affairs of the United States Senate, Ninety-fifty Congress, concerning Senate Bill 364. Mr. Johnson, a former "staff legal advisor" to the Board of Veterans Appeals, could no longer tolerate what the VA system required of him. That testimony, in part, appears as follows:

> "I want to leave you with one final example of BVA attitudes: I once drafted and dictated an appeals decision granting service connection status for a black, Korean action veteran. The elements of the case were clear . . . the facts and the law were clear, but the decision was returned to me with instructions to deny the claim. I found it difficult to evade the letter of the law and I considered it dishonest to arbitrarily deny the facts in order to reach the decision my supervisor desired . . ."

In the recent National Association of Radiation Survivors (NARS) suit against the Veterans Administration, a December 7, 1986, New York Times newspaper article concerning VA destruction of documents which were the subject of discovery in that court action, indicated, in part:

> "Several (VA employees) asserted that when they told their supervisors that destruction of the documents might be illegal, they were told to mind their own business, ordered not to put anything in writing, and threatened with retaliation if they disobeyed. Ronald B. Abrahams, a department (VA) lawyer, testified that as recently as last month he discovered that his superiors were concealing documents sought under court order in the lawsuit. He asserted that when he protested, his supervisor told him "to get out of his office" and look for another job. Mr. Abrams, much of whose testimony was corroborated by three other agency officials, contended that among other things, the destroyed documents would have shown that adjudicators in some Veterans Administration field offices had routinely denied benefits lawfully due veterans **"BECAUSE IT WAS TO THEIR FINANCIAL ADVANTAGE TO DENY CLAIMS."**

The attached copy of a confidential VA internal "Memorandum" dated September 25, 1986, from Mr. Ronald B. Abrams, concerned the NARS case, and, in part, makes reference to: " . . . **GROSS VIOLATION OF THE CONSTITUTIONAL RIGHTS OF CLAIMANTS.**" Clearly, the Federal VA is out of control, and intoxicated with its own power. It is therefore vital that veterans have the best representation possible, in order to deal with a system such as that detailed in this testimony. The NARS case also resulted in the attached Sacramento Bee Editorial dated January 2, 1987, entitled: **THE VA'S CHEAT-A-VETERAN BONUS**, which takes issue with the procedures and attitudes of the VA, which surfaced during the NARS case.

GOAL: NO MORE VETERANS MARCHES ON WASHINGTON, D.C.

During 1932, thousands of veterans from across America, went to Washington, D.C., in order to present their grievances to their government, concerning WW I bonus checks. The July 29, 1932, New York Times newspaper, indicates that President Hoover ordered General MacArthur to drive the veterans from the Capitol. Photographs in that newspaper show tanks proceeding down Pennsylvania Avenue, with cavalry, federal soldiers with bayonets, machine guns, and tear gas, driving the veterans out. Veterans such as William Hashka of Chicago and Eric Carlson of California, were shot to death.

During 1933, the veterans came back, and the June 15, 1933 Congressional Record, page 6181, indicates:

> "It is time that we make this country safe for the defenders of the flag. In recent years it has not even been safe for veterans to come to Washington and petition those in power for justice . . . The veterans who came to

> Washington in May of this year to present their grievances to the Government paused at the graves of Hushka and Carlson, their comrades who were killed in the battle between veterans and the District police when the veterans were driven from their camp at Anacostia with fire and gas . . . The veterans who assembled in Washington in 1933 did more than clamor for bonus checks. **These men feel that this Government has no right to place upon them the burden of maintaining the credit of the United States Government** . . . The veterans of America are making their final plea to this administration and to the Members of this Congress. If that plea is not heard, these veterans will not sit back and wait for the liberalization of the Executive regulations. They have fought before, and they will fight again -- not to make the world safe for democracy this time, but **to make America safe for the veterans** . . . (the veterans demanded) **Repeal of the Economy Act."**

Unlike President Hoover during the 1932 veterans march, President Roosevelt did not send the army in to drive the veterans from Washington during the similiar 1933 veterans march. There were no veterans killed during the 1933 march. Instead, President Roosevelt, understanding the awesome significance of the veterans grievances, caused, in part, by passage of the "Economy Act" which had stripped those veterans of their access to the "American System of Justice" and protections of the United States Constitution (which many of them had been injured defending), decided to cause tent camps to be constructed for the veterans, and to provide food, etc., to them. Any violence would have focused attention on the fact that America's battle-injured veterans, had been relegated to second class citizens.

VDP believes that the Executive Branch of Government determined at that point in time, that there would be no more massive veterans marches on Washington, D.C., but how could such marches be avoided, with veterans having been stripped of the basic legal rights which they went off to war to protect for every other citizen?

BRIEF HISTORY OF FEDERAL LEGISLATION AUTHORIZING VETERANS ORGANIZATIONS TO REPRESENT VETERANS

On June 22, 1944, the United States Congress passed the "Servicemen's Readjustment Act of 1944" to provide Federal Government aid for the readjustment in civilian life of returning World War II veterans (see 58 Stat. 284). On July 6, 1945, approximately 2 months after victory in Europe (VE Day - May 7, 1945), Congress amended that law in order to grant certain priorities to the VA, which, in part, included:

"Sec. 100. The Veterans' Administration is hereby

> declared to be an ESSENTIAL WAR AGENCY and entitled to priority equal to the highest granted any department or agency of the Government in personnel, service, SPACE . . . During the continuance of the present war and FOR SIX MONTHS AFTER ITS TERMINATION, the Administrator is authorized, for the purpose of extending benefits to veterans and dependents, and to the extent he deems necessary, TO PROCURE THE NECESSARY SPACE for administrative . . . " (see 59 Stat. 463)

On December 28, 1945, approximately 4 months after the end of the war with Japan (VJ Day - Sept 2, 1945), Congress amended the above cited law (see 59 Stat. 623) by, in part, **deleting** the words "During the continuance of the present war and for six months after its termination," and amended Section 200 by ADDING the following new subsection:

> "(c) The Administrator is further authorized at his discretion and under such regulations as he may prescribe to furnish, if available, **NECESSARY** space and suitable office facilities for the use of paid fulltime representatives of such organizations (American Legion, Disabled American Veterans of the World War, Veterans of Foreign Wars, etc). (see current 38 USC 3402)

It appears to have been a noble and praiseworthy gesture of patriotism and a desire to help the millions of World War II veterans returning from the war, which prompted the National Veterans Organizations to help the federal government, during the difficult period after the war. But what happened after all of the veterans were home, and the crisis of medical problems, education problems, etc., were resolved? The veterans organizations, by that time, had VA paid office space, VA paid telephone service, etc., in the federal buildings across the United States, but the law, as it existed at that time, contemplated the NECESSITY which justified the free office space to veterans organizations, as being the emergency created by the end of World War II, and clearly provided that the VA paid space must be "NECESSARY!"

Regardless of the fact that the law provided that the VA paid office space, etc., to the veterans organizations, must be "NECESSARY," the situation continued after the emergency had passed. On June 17, 1957, Congress passed the "Veterans Benefits Act of 1957" (see 71 Stat. 83), "To consolidate into one Act, and to simplify and make more uniform, the laws administered by the VA relating to compensation, pension, hospitalization, and burial benefits, and to consolidate into one Act the laws pertaining to the administration of the laws administered by the Veterans' Administration." This Act, as it appears in "THE STATUTES AT LARGE" is 93 pages long, but of interest is the fact that the word "NECESSARY" was **deleted** from the language of the law as it had previously existed (what is now 38 USC 3402), thus the VA paid office space for the national veterans organizations, State of Oregon Department of Veterans Affairs, etc., no longer had to be "NECESSARY." Apparently nobody noticed, or thought important, the removal of that one word from the 93 page long Act. The "IRON TRIANGLE" was created at approximately that point in time, and the disappearance of the word "necessary" was, like the Bradley Commission Report, part of the reason why the House Veterans Affairs Committee, was able to force the birth of the Iron Triangle.

END REPRESENTATION HISTORY

The veterans organizations were seemingly secure in their function of representing veterans in their claims against the VA, even though the VA budget was, and is, paying millions of dollars nationally, to provide free office space, telephone service, etc., to those same organizations. The fact that the Federal VA has its own Veterans Services Division, which provides free representation to Veterans concerning their VA claims, apparently made no difference to lawmakers who understood what was going on.

VDP considers the relationship between the VA and the veterans organizations, to be a CONFLICT OF INTEREST on the face of it. Veterans who seek representation from the veterans organizations, assume that those veterans organizations exist on an **adversary** basis concerning the VA, and that such organizations will fight to protect their legal rights. Service officers are not required to apprise the veterans whom they represent, of a potential conflict of interest, created by the fact that the VA is paying for their offices in the Federal Buildings, telephone bills, provides the office furniture, etc.

Perhaps the most serious question which should be asked of service officers of the national veterans organizations, is what they do when they perceive that a Federal VA decision in a veterans case, violates VA laws and/or ignores the facts of the case. Do they bring such violations to the attention of the United States Congress or the media? Unlikely! Why not? Because the system of which they are a part, is, in our opinion, a "DON'T MAKE WAVES" system. VDP believes that service officers should, at a minimum, be required to tell the veterans who come to them seeking representation in their VA calims **AGAINST** the VA, that the VA is paying many of that service organizations bills.

As you can see, veterans who believe that the VA has wrongfully or illegally denied them what they are entitled to by VA statute law, are not allowed to hire a lawyer to protect their legal rights. They are denied access to every fair and **IMPARTIAL** court of law in America. Their VA medical care and disability compensation are legally nothing more than gifts which do not rise to the level of a constitutionally protectable property right interest, and, finally, the only other major avenue of protection left to them, in the form of the veterans service organizations, are, in large part, financially subsidized by the very agency which they are representing the veterans against.

VA blackmail of the **leadership** of many of the major national veterans organizations, has not only caused those organizations to permit this nation's defenders to be stripped of the very rights which they fight to protect for every other citizen, but that same blackmail also results in a mechanism whereby there will be no massive marches on Washington, D.C., by veterans demanding the restoration of their rights. The "rank and file members" of the majority of the Congressionally chartered veterans organizations, assume that they have the legal protections of the Constitution. If the leadership of their organizations ever caused them to understand the truth, that they have fewer legal rights than any other segment of the population, those veterans would undoubtedly again, travel to Washington, D.C., and petition the government for redress of their genuine grievances.

VDP believes that in light of the information provided herein, that the Committee will agree, with the necessity for judicial-review language to be made a part of the VA Cabinet level status bill. Please know that herein is presented only a small fraction of the information, which VDP has concerning VA abuse and lawlessness. On a personal note, I patriotically and honorably served America as a member of a Marine Corps Infantry Battalion in Vietnam, and was injured while there. The last three generations of my family graduated from the Naval Academy, and served America. We all did performed our obligation of service to America, but America also has an obligation to those who are injured while fighting our wars. Please advise if you would need additional information. Thank you.

Ex-Officials Want FAA Out From Under Cabinet Wing

By Laura Parker
Washington Post Staff Writer

Two former heads of the Federal Aviation Administration urged yesterday that the FAA be removed from the Transportation Department to restore order to the overburdened and sometimes chaotic aviation system.

Donald D. Engen, who retired from the FAA in July, and Najeeb Halaby, who headed the agency in 1961-65, told a Senate aviation subcommittee that the FAA could operate more efficiently and deal with critical issues more swiftly if it were independent.

The FAA has been part of the department since the latter was created in 1966.

But Alan Boyd, the first transportation secretary, warned against losing the power of a Cabinet-level broker. He said the FAA's troubles are mostly financial and cannot be solved by reorganization.

"You're going down a blind alley going for an independent agency," Boyd said. "A Cabinet member draws a lot more water than the chairman of an independent agency. The problem is not going to be solved if the FAA is cast adrift."

The ex-officials were the first of several witnesses that Sen. Wendell H. Ford (D-Ky.), chairman of the Senate Commerce, Science and Transportation aviation subcommittee, said he intends to call in his effort to create an independent FAA. Ford and others are sponsoring legislation to establish an independent FAA, whose leader would be appointed to a seven-year term.

Ford said he drafted the bill because Transportation Secretary Elizabeth Hanford Dole and her staff "have found it increasingly necessary to meddle in nearly every action taken by the FAA." He said this "constant interference" has hindered FAA efforts to regulate aviation operations and ensure passenger safety.

Boyd said he "deplores the thought of political interference with the FAA," adding, "I think the current situation is an aberration."

Halaby said that in 1966, he thought the FAA could retain autonomy as part of the department. He also supported combining all modes of transportation into one department where a comprehensive plan could be developed. "I'm sorry to say I don't believe those ideals have been realized," he said.

Engen encouraged Ford to create a "Department of Air and Space" with Cabinet rank by combining the FAA and the National Aeronautics and Space Administration.

It is widely believed that Engen, who abruptly announced his retirement last spring, left the FAA because of frustration with department officials who often overruled his decisions.

The attached document describes the various quality assurance programs of the Department of Medicine and Surgery and provides an estimate of staff assigned primarily to quality assurance functions.

STAFF PRIMARILY ASSIGNED TO QUALITY ASSURANCE FUNCTIONS IN THE DEPARTMENT OF MEDICINE AND SURGERY

The following major QA programs (program description attached) are in various stages of implementation, with the locus of principal activities within DM&S as indicated:

Program	VAMC	DISTRICT	REGION	VACO
1. Occurrence Screening	X			X
2. Utilization Review	X			X
3. MEDIPRO		X		X
4. External Review			X	X
5. Special Health Care Studies	X	X	X	X
6. Credentialing/Privileging	X		X	X
7. Patient Injury Control	X			X
8. Continuous Monitoring	X			
9. A-123	X	X	X	X

VAMC Level QA Staffing: QA activities have been a significant part of VAMC clinical and administrative management for many years. Accordingly, there has grown considerable variety in the manner in which these activities are carried out in local VAMCs. In 1986, a Staffing Pattern Survey was conducted to assess the nature of this activity. An analysis of the responses from VAMCs suggested that there was extensive variety in terms of (1) Actual QA programs and functions, (2) The names these functions were called, (3) The locus in the VAMC for carrying out a particular program or function, (4) And the nature of the administrative line of authority for managing these programs or functions. Because of this variety at the VAMC level and the mixing of QA assignments with other functional duties, an exact number of FTEE devoted to QA could not be reliably determined. However, based on assessments of the 1986 data, given the above caveat, our Office of Quality Assurance estimates that there is an average of approximately 4 FTEE serving the variety of QA programs and functions across the 172 VAMCs. This is typically made up of a full time QA/HSRO Coordinator, with the variety of functions being assigned to 2 to 10 or more FTEE as a subset of their ongoing duties.

TOTAL ESTIMATED VAMC QA FTEE = 688

District Level QA Staffing: The locus of MEDIPRO activity occurs at the district level, and an average of 3 FTEE are assigned at each district. These are made up of the MEDIPRO coordinator, a records analyst, and an administrative secretary. The four largest districts have been allocated a second analyst. In addition, the core of MEDIPRO activities are guided by a physician advisory board averaging 10 physicians who serve as volunteers in addition to their regular assignments. Further, specific studies which are sponsored by a district may have "n" physician advisers who are also volunteers serving in addition to their official duties.

TOTAL DISTRICT QA FTEE = 85

Regional Level QA Staffing: Each region has a full time QA Regional Coordinator, and a SERP Regional Evaluator responsible for conducting periodic on site reviews of VAMC compliance with DM&S, JCAH and requirements of other external review bodies.

TOTAL REGIONAL QA FTEE = 14

VACO Level QA Staffing: QA management originates in two offices within DM&S, with a Coordinator in a third office:

(1) Office of Quality Assurance (10Q), which administers all programs except patient incident reporting and IG type investigations, and

(2) Office of Medical Inspector (10A6), which conducts management of patient incident reporting and IG investigations.

(3) Operations (10B), which has one person administratively coordinating the activities of seven regional QA coordinators.

OFFICE OF QA STAFFING	=	25
OFFICE OF MEDICAL INSPECTOR STAFFING	=	6
OPERATIONS (10B) QA STAFFING	=	1
TOTAL VACO QA STAFFING	=	32
TOTAL DM&S QA ASSIGNED FTEE	=	819

Attachment

Occurrence Screening

Occurrence Screening involves screening cases against a predetermined list of occurrences or criteria. Cases which involve one or more of the occurrences are reviewed to identify possible problems in patient care. Then when appropriate, action to correct the problems identified in the individual case are taken. In addition, cases which exceed criteria or fail to meet standards are entered into an ongoing data base which is regularly reviewed and analyzed to identify patterns which may be problematic.

Utilization Review

1. The utilization review function includes a number of clinical and administrative screening, techniques, studies, and reviews to assure that resources within the VA Medical Facility are appropriately utilized. Utilization review may be performed by committee(s), clinical staff and/or administrative support staff.

2. Utilization review studies topics with generic, problem or disease specific or patient-need specific concerns to determine whether health care utilization is effective. Frequently, utilization review studies will concentrate on problems identified by the continuous monitoring process. Utilization review will periodically assess:

(a) Appropriateness of admission(s) and rejection(s).

(b) Length of stay and continuance of stay,

(c) Appropriateness/effectiveness of utilization of services, special medical programs and other resources,

(d) Timeliness of admission and outpatient processing.

MEDIPRO

The Medical District Initiated Peer Review Organization (MEDIPRO) program was established to ensure the provision of high quality patient care under the prospective resource allocation system. In the Spring of 1985, three pilot programs were initiated. In May 1986, the second phase of pilots was implemented in five districts, and in September 1986, the third phase occurred with full implementation in the remaining 19 districts. The initial focus of the pilot program was to be on acute care cases since the resource allocation methodology was developed first for that aspect of care with long term care and ambulatory care to be phased in later. The primary function of the program was to review and monitor those aspects of care for which incentives might be counter to high quality patient care. A pilot program is now underway to include outpatient and long term care.

External Review

1. External Review or Health Services Review Organization (HSRO), the Veterans Administration's Medical Quality Assurance Program, is a systematic effort by the Veterans Administration to ensure an optimal level of quality patient care. The HSRO program is an ongoing, efficient, flexible, integrated health care monitoring and improvement system. HSRO reviews the following aspects of medical quality in VA Medical Facilities:

(a) The appropriateness of patient care and services provided,

(b) The effective utilization of resources,

(c) The safety of patients, and

(d) The conduct or performance of VA employees and others engaged in the provision or support of patient care.

2. HSRO is a two faceted program:

(a) Health Services Review Organization-Systematic Internal Review (HSRO-SIR) is an integrated quality assurance process that is internal to each VA Medical Facility.

(b) Health Services Review Organization-Systematic External Review Program (HSRO-SERP) is a system-wide VA peer review mechanism external to each VA Medical Facility that evaluates the quality of care in each VA Medical Facility and the effectiveness of its HSRO-SIR program.

3. Corrective action on all unresolved issues or recommendations identified by an HSRO-SIR or HSRO-SERP review are taken by the VA Medical Facility. Such actions are initiated and implemented at the lowest possible organizational level.

Special Health Care Studies

1. Problem focused health care evaluation is an approach taken to understand and manage complex problems of major consequence to patient care processes and outcomes. This approach focuses on problem assessment, corrective action planning, implementation and follow-up. Each clinical and/or administrative service are responsible for carrying out problem focused health care evaluation studies, to the extent necessary, within their respective areas of responsibility.

2. Problem focused health care evaluation studies usually involve a multidisciplinary approach. The necessity for conducting a problem focused health care evaluation study may be identified from problems detected through utilization review, continuous monitoring, patient injury control, or other sources.

3. A VA Medical Facility Director may request a special audit or study of a certain program or process of care to be performed by either VA and/or non-VA reviewers external to the Facility. These special audits or studies are considered as problem focused health care evaluations.

Credentialing/Privileging

1. Credentialing is the systematic process of reviewing the qualifications of all applicants for appointment and requests for clinical privileges to ensure that the applicants possess the professional capability required of their respective disciplines and that their skills are commensurate with the needs of the particular diagnostic and therapeutic procedures for which they are responsible. Credentialing requires documentation of the general and special or specific clinical privileges to be granted to the provider.

2. Delineation of clinical privileges ensures that physicians, dentists, nurses, and other health care professionals perform only those diagnostic or therapeutic procedures in which they are considered to be competent, as judged by their professional peers. Each VA Medical Facility Credentialing Committee or other appropriate credentialing review process is going to review, at least annually, each provider's clinical privileges and will recommend reappointment, reduction or expansion of clinical privileges as appropriate.

3. All records and documents collected during the HSRO-SIR process which are provider specific are available to the Credentialing Committee or other appropriate credentialing review entity.

Patient Injury Control

The Patient Injury Control program includes the monitoring, reporting, analysis, review and investigation of any unusual, unexpected or unfavorable incident which a patient may experience during the course of his/her medical management. Such incidents include those which would not be considered a natural consequence of the patient's disease process or illness, as well as those incidents which would carry a recognized risk of medical intervention. The incident may be an illness or injury resulting from either omission(s) or commission(s) by a health care provider(s) or the direct result of medical intervention during the course of either inpatient or outpatient care.

Continuous Monitoring

1. The continuous monitoring function is a process by which VA Medical Facility personnel review and objectively assess those clinical activities which are key indicators of the quality of medical care being provided. These clinical activities must be monitored and evaluated on a regular and recurring basis, which may involve reviews on a daily, monthly, quarterly or semi-annual basis or as prescribed by VA policy.

(a) All HSRO monitoring techniques, reviews, studies or surveys shall use an appropriate sampling procedure. This methodology does not require 100 percent review of all records and documents being evaluated.

(b) The continuous monitoring process can be differentiated from day-to-day facility operational management. Unlike day-to-day management, this monitoring process is based upon the use of explicit quality of care information over a specified period of time. This information is used by health care professionals to determine patterns or trends, assess the quality of care in conjunction with accepted national, areawide or local professional standards or norms and propose action necessary to maintain or improve the quality of care provided.

Elements of continuous monitoring may be performed by a committee or may be the responsibility of a service, program, or individual, and may be combined with other HSRO-SIR functions as considered appropriate by the VA Medical Facility Director.

A-123

As part of the Federal Manager's Financial Integrity Act of 1982, OMB published revised Circular A-123 on August 4, 1986 to provide administrative guidelines for federal agencies to insure that administrative protocols exist for the control of risk associated with waste, fraud and abuse. All medical centers and their respective services are to provide assurances through the chain of command, including medical districts, regions and program elements within central office, that adequate managerial safeguards exit to prevent the occurrence of waste fraud or abuse. The following risk areas are included: (1) Mismanagement of resources, (2) Unauthorized or inappropriate use of resources, (3) Erroneous or fallacious reporting of data, (4) Illegal or unauthorized acts, and (5) Events or occurrences which are generative of adverse public opinion.

STATUS OF REPORT ON 1985 AND 1987 INSPECTOR GENERAL REPORTS ON MALPRACTICE

The following information outlines the actions taken by the Department of Medicine and Surgery with regard to the analysis of medical malpractice claims and on the recommendations from the Inspector General (I.G.) reports on Malpractice, (5AB-A17-119, dated 9/25/85 and 7AB-A17-058, dated 3/31/87). The original DM&S responses to these two reports are attached (Attachments A & B). For clarity, the two I.G. reports have been dealt with separately.

Following are the Audit of Malpractice Claims, 5AB-17-119 dated 9/26/85, recommendations that deal with Tort claims and actions taken.

Recommendation 1: That the Chief Medical Director establish a requirement for indepth analysis of malpractice claims, both at the Central Office and the medical center levels, to identify and remedy causes of medical misadventure.

Actions Taken:

D.C. Letter 02-85-7 charged the District Counsels to notify the medical center director when an SF 95, Claim for Damage Injury or Death, involving that medical center is filed.

DM&S Supplement, MP1 Part 1, Change 41, requires the medical center, upon receiving notification of the filing of an SF 95, to submit to the Medical Inspector a statement of the allegations a short clinical history of the case, the Discharge Summary and the names of the providers involved.

In December, 1985, the data received thus far was entered into a word processor. The lack of personnel prohibited further data entry. The data continued to be collected and reviewed but were not computerized.

Recommendation 3d: That the Chief Medical Director improve patient incident reporting by requiring tort claims analysis be included as an integral part of the Patient Injury Control Program.

Actions Taken:

See above.

Following are the Followup Audit of Medical MALPRACTICE CLAIMS, 7AB-A17-058, dated 3/31/87 recommendations that deal with Tort claims and the actions taken.

Recommendation 1: We recommend that the Chief Medical Director take additional action to implement recommendations made in our September 1985, Report of Audit of Medical Malpractice, by:

a. Providing sufficient oversight to ensure compliance with quality assurance directives; and

b. Adding compliance with quality assurance directives as a factor in the annual performance evaluations for managers and providers.

Actions Taken:

The Medical Inspector, working with the Regional QA staff, has increased the monitoring of compliance and increased the training available.

The Medical Inspector is currently receiving additional reports such as the Surgical Complications in order to cross check these results with incidents reported in other ways and informing the Regions and the medical center of any discrepancies.

The Chief Medical Director has included compliance with quality assurance directives a part of the annual performance evaluation for managers and providers.

In the Exhibits in the I.G. report, Followup Audit of Medical Malpractice Claims, cite the actions implemented in response to the initial audit, actions pending and the audit assessment, (Attachment C). The following are the "Audit Assessments" that reference the initial recommendations on malpractice claims and the actions that have been taken in response to those assessments.

Recommendation 1 Audit Assessment: Although actions have been initiated at the medical center level, indepth analysis of malpractice cases at the Central Office level has not been completed. The Office of the Medical Inspector has not begun analysis of the malpractice cases due resource constraints and because of the MI's views that it is necessary to obtain a five year data base prior to doing trending. The OIG's recommendation contemplated annual trending of malpractice cases, to identify significant changes as well as trends and to remedy the causes of medical misadventure as malpractice data became available, beginning with Fiscal Year 1983. As each year's malpractice data is trended, this information can be input and used in the Department's quality assurance and risk management programs.

Actions Taken:

The Office of the General Counsel provided the Medical Inspector with a copy of their computerized malpractice data base.

The initial data collection did not include a standard form that would be used to collect data needed by both the General Counsel and the Department of Medicine and Surgery. A form , "Risk Management Information System Form" (RMIS), was developed that meets both needs and incorporated the coding system developed by the OIG.

The RMIS form was Pilot tested by the District Counsels from October 1,1987 through December 31, 1987. Needed changes have been made.

The reporting element of the system has been implemented by the General Counsel, D.C. Letter 02-87-18.

The DM&S Circular implementing the system has been circulated for comment, changes made, and is now out for concurrence.

A computer has been obtained for the development of this system. The initial program developed for this system lacked the flexibility needed for the system. The system is currently being developed by the VA's Boston Development Center using a data base management system that is available in each of the Regions. This will allow the data base that is developed to be shared with the Regions. It is anticipated that the programing will be completed by May 5, 1988.

Since one of the segements of this file is a peer review of the care provided, it is necessary to protect that information by placing it under 38 U.S.C. 3305. The proposed changes to the regulations implementing this act, (38 CFR 17.) have been circulated for comment, indicated changes made, and the proposed revision is out for concurrence within DM&S.

A request for an opinion on the legality of the RMIS re: information law (Privacy Act and 38 U.S.C. 3305), has been submitted to the General Counsel.

The notifications necessary for the establishment of a new system of records is being prepared for publication in the Federal Register.

The Medical Inspector has been collecting medical malpractice information since October, 1984 which is available for data entry. This information is supplemented by the data base from the I.G. FY 83 and FY 84 audit.

Recommendation 3 Audit Assessment: DM&S actions to implement this recommendation are complete. Policies on incident reporting should be reviewed for clarity, define and standardize requirements. Stronger actions need to be taken by Central Office for instances of noncompliance with patient incident reporting directives.

Actions Taken:

The DM&S Supplement has been revised, (Change 43), to include definitions for each category of incident; a chart has developed that indicates the reporting requirements for each incident; the the number of required investigations reduced and the reporting requirements are identical to those in 38 CFR 17.

The Chief Medical Director has made compliance with quality assurance directives as a factor in the annual performance rating of managers and providers.

The Medical Inspector anticipates that the automated malpractice claim data base, (RMIS) will be developed and functioning by the end of February, 1989.

Attachment A

Veterans
Administration

Memorandum

Date SEP 17 1985

From Chief Medical Director (10/10QA2)

Subj: Draft Report of Audit of Medical Malpractice Claims (5AM-006)

To Assistant Inspector General for Auditing (52)

We have reviewed the subject draft report and provide the following comments:

Recommendation 1: That the Chief Medical Director establish a requirement for indepth analysis of malpractice cases, at both the Central Office and medical center levels, to identify and remedy causes of medical misadventures.

Response to Recommendation 1: Concur. Since October 1984, the Medical Inspector has been monitoring those cases of alleged malpractice that have been closed. In addition, by working with the General Counsel, policies and procedures have been developed so that at the time an SF 95, Claim for Damage, Injury, or Death, is filed, the information contained on the form will be sent to the Director of the VA medical center involved. The medical center is then required to submit the following information to the Medical Inspector: statement of the allegations; copy of the Discharge Summary dealing with the episode of care during which the alleged incident occurred; clinical description of the incident involved; and names of the providers involved.

This will provide the information necessary for review both at the medical center and VA Central Office. These policies and procedures are implemented by D.C. Letter 02-85-7, and DM&S Supplement, MP-1, Part I, currently being printed.

Recommendation 2a: That the Chief Medical Director require the development and conduct of effective continuous monitoring reviews.

Response to Recommendation 2a: Concur. This is already a requirement and we will continue to stress the importance of effective continuous monitoring reviews.

Recommendation 2b: That the Chief Medical Director require the resolution of medical records and housestaff supervision problems.

Response to Recommendation 2b: Concur. As a result of a recent GAO audit of the supervision of surgical residents, more precise criteria for monitoring the supervision of surgical residents will be developed and promulgated in changes to M-2, Part I, Chapter 26. In addition, medical records review is a part of the Department's continuous monitoring reviews and we will continue to stress the importance of accurate, timely medical record documentation.

2.

Recommendation 3a: That the Chief Medical Director improve patient incident reporting by clarifying the definition of a patient incident and enforcing the prescribed reporting requirements.

> Response to Recommendation 3a: Nonconcur. The current definition of reportable incidents, "all instances where a beneficiary is involved in an incident that either has harmed (him) or has the potential of causing harm," is quite clear. In addition, there is a list of general categories of reportable incidents.

Recommendation 3b: That the Chief Medical Director improve patient incident reporting by requiring more physician involvement in detecting and reporting incidents.

> Response to Recommendation 3b: Concur. The VAF 10-2633, Part I, is to be filled out by the person who becomes aware of the incident; this would include physicians. We will continue to emphasize this requirement to physicians.

Recommendation 3c: That the Chief Medical Director improve patient incident reporting by requiring that patient incident reporting be integrated with quality assurance activities.

> Response to Recommendation 3c: Concur. The Department considers patient incident reporting an important quality assurance activity and will continue to stress its importance as part of the overall quality assurance program.

Recommendation 3d: That the Chief Medical Director improve patient incident reporting by requiring tort claims analysis be included as an integral part of the patient injury control program.

> Response to Recommendation 3d: Concur. We are currently performing tort claims analysis as described in the response to Recommendation 1.

Recommendation 4a: That the Chief Medical Director improve the credentialing and delineation of privileges process by requiring medical centers to conduct independent verification of all data submitted on employment applications.

Recommendation 4b: That the Chief Medical Director improve the credentialing and delineation of privileges process by establishing a system which effectively monitors clinical proficiency of providers and which includes documentation of clinical results as reported in quality assurance reviews, incident reports, and malpractice cases.

Response to Recommendation 4a and 4b: Concur. DM&S is currently drafting a chapter on credentialing, which includes clinical privileging, which will address the issues presented by the Office of Inspector General. This chapter will establish procedures in regard to both licensure verification and all other credentials. However, we do have some concerns about the findings leading to the recommendation, and therefore, the expected method of implementation. The audit report suggests that facilities should be contacting appropriate Specialty Boards to verify the board certification status of a particular physician. While such action is certainly not precluded, it has been the accepted practice for medical centers to acquire a copy of the physician's actual certificate as documentation of the board certification status. In discussing verification of board certification, the audit report notes that some physicians have been improperly coded as being board certified. DM&S has completed its review of the 78 physicians referred by the Office of Inspector General for such verification. Of the 78 physicians, 40 were verified to be board certified. Of the remaining 38 physicians: one is no longer employed; 35 were incorrectly coded and are not board certified, but were not credited as board certified for special pay purposes; and two physicians were incorrectly recognized as board certified and overpaid in regard to special pay. The facilities where these overpayments occurred are taking the appropriate steps to recoup the overpayments. It should also be noted that the Office of Inspector General's data is based on results of efforts to verify certification with appropriate American Boards of Medical Specialties. These Boards would not recognize physicians who have been certified by Boards of the American Osteopathic Association; the latter Boards are recognized by the Veterans Administration.

Lastly, as a point of information, it is noted that legislation has been passed in the Senate and is under consideration in the House to require the VA to use the rather cumbersome and time-consuming 38 USC 4110 procedure to reduce, restrict or revoke a physician's clinical privileges. This is intended to ensure that physicians are afforded due process. Although the authority to temporarily restrict privileges without due process would be retained in those cases where there is fear for patient safety, passage of such legislation will significantly impact any methodology that is contemplated with respect to the credentialing processes. It would appear that the potential also exists for adverse impact on the quality assurance program vis-a-vis malpractice.

/s/

JOHN W. DITZLER, M.D.

Attachment B

Veterans Administration

Memorandum

Date APR 7 1987

From Chief Medical Director (10)

Subj. Draft Audit Report, Follow up Audit of Medical Malpractice Claims

To Assistant Inspector General for Auditing (52)

1. We have reviewed the subject draft report and provide the following comments:

Recommendation 1:

We recommend that the Chief Medical Director take additional action to implement recommendations made in our September 1985, Report of Audit of Medical Malpractice Claims by:

a. Providing sufficient oversight to ensure compliance with quality assurance directives; and

b. Adding compliance with quality assurance directives as a factor in the annual performance evaluations for managers and providers.

Response to Recommendation 1a: Concur. We will continue to make progress in correcting problems identified in your September 1985 report. Significant efforts are ongoing in all of the areas mentioned in your September 1985 recommendations. In particular, the Medical Inspector is working closely with the District Counsels and the General Counsel to obtain prompt reporting and processing of malpractice claims. He will also be revising the manual in regard to incident reporting and investigations within the next year; and converting the trending data base to a computer in order to increase patient incident trending. We have attached for your information a chart regarding malpractice experience in the VA and the private sector, which puts the VA's experience into some perspective.

Response to Recommendation 1b: Concur. A Chief Medical Director's Memorandum will be issued to the Regional Directors directing them to ensure that the following are accomplished:

Performance Appraisal Plans for all non-physician DM&S facility Directors (SES equivalent) include a standard addressing compliance with quality assurance directives.

Proficiency Reports for all Chiefs of Staff and physician Medical Center Directors (Title 38) specifically address compliance with quality assurance directives in the narrative evaluation.

> All Medical Center Directors incorporate a standard addressing compliance with quality assurance directives in the performance appraisal plans for the Associate Director (Performance Management Recognition System).

It is reasonable to expect that by assuring compliance with performance requirements for top management, these requirements will, in turn, filter downward to subordinate managers and health care providers (physicians, dentists, nurses, etc.). Regardless of whether or not it is specifically noted in the performance standards, employees are responsible for adhering to and/or administering directives and policies as part of their basic performance requirements.

2. General Comments: 1/

a. On page 8, the reorganization of the Office of Quality Assurance was completed in September 1986. MEDIPRO was fully implemented in terms of acute care activities during the first quarter of FY 1987. The second paragraph should read "MEDIPRO is a medical district based review and monitoring system...medical care. Under this program, a board composed of physicians conduct...medical care."

b. On the top of page 9, MEDIPRO is not yet capable of providing "practitioner specific profiles" because of inadequacies of the PTF data base.

c. On page 21 under Exhibit 3, regional and medical district QA coordinators do not "control" medical center QA activities. On the next page, Actions Completed number (3) is not correct. Monitoring clinical proficiency/competency and documenting the results is a function of medical center quality assurance programs through the credentialing and clinical privileging processes and not a MEDIPRO activity. Under Actions Pending on the same page, number (5): MEDIPRO implementation was completed in October 1986 in all medical districts for acute care activities.

d. On page 28, numbers (5) and (1), the same comments made above in item c apply. MEDIPRO will not be a substitute for hospital credentialing and privileging. Implementation of MEDIPRO was completed in October 1986.

Lewis MD
JOHN A. GRONVALL, M.D.

Attachment

1/ Interpretations of the role and implementation status of MEDIPRO in our draft report were based on information provided by DM&S at the time of our review. The final report is changed to reflect these comments.

(TAKEN FROM THE FOLLOWUP AUDIT OF MEDICAL MALPRACTICE CLAIMS, REPORT #7AB-A17-058, DATED March 31, 1987)

Attachment C

IMPLEMENTATION STATUS AND AUDIT ASSESSMENT

RECOMMENDATION 1

Recommendation 1:

We recommend that the Chief Medical Director establish a requirement for indepth analysis of malpractice cases, at both the Central Office and medical center levels, to identify and remedy causes of medical misadventures.

Actions Completed

(1) A requirement has been established for an indepth analysis at medical centers and a program has been initiated at Central Office.

(2) A procedure has been established to transmit malpractice data from the District Counsels (D.C.) to medical centers.

(3) On May 22, 1985, the General Counsel issued D.C. Letter 02-85-7, "Notification to VA Medical Centers of Administrative Tort Claims," instructing district counsels that when an SF 95, "Claim for Damage, Injury, or Death," is filed, to notify the appropriate medical facility director of the full particulars of the case.

(4) DM&S Supplement, MP-1, Part 1, Change 41, issued August 20, 1985, with acutal distribution to medical facilities in December 1985, provided the following instructions: on receipt of information from district counsels that a tort claim has been filed, the medical centers must review the allegations and submit to the Medical Inspector information to include (a) a statement of allegations (b) a copy of the discharge summary dealing with the episode of care during which the alleged incident occurred (c) a clinical description of the incidents involved and (d) the names of the providers involved.

Actions Pending and Estimated Date of Completion

(1) The Medical Inspector projected it would take six to eight more months of work to enter the malpractice data currently available. Available data includes Fiscal Years [illegible] and 1984, and some of Fiscal Years 1985 and 1986.

(2) Initial trending at the Central Office level, to identify and remedy causes of medical misadventures, is targeted for the end of Fiscal Year 1987. The Medical Inspector stated that since a veteran has 2 years within which to file his complaint, the actual number of cases that deal with care provided in Fiscal Year 1986 would not be known until the end of Fiscal Year 1988. He also stated that an analysis of malpractice data will occur during Fiscal Year 1988.

Audit Assessment

Although actions have been initiated at the medical center level, indepth analysis of malpractice cases at the Central Office has not been completed. The Office of the Medical Inspector has not begun analysis of malpractice cases due to resource constraints and because of the MI's views that it is necessary to obtain a five year data base prior to trending. The OIG's recommendation contemplated annual trending of malpractice cases, to identify significant changes as well as trends and to remedy the causes of medical misadventure, as malpractice data became available, beginning with Fiscal Year 1983. As each year's malpractice data is trended, this information can be input and used in the Department's quality assurance and risk management programs.

IMPLEMENTATION STATUS AND AUDIT ASESSEMENT

RECOMMENDATION 3

Recommendation 3:

We recommend that the Chief Medical Director improve patient incident reporting by:

a. clarifying the definition of a patient incident and enforcing the prescribed reporting requirements;

b. requiring more physician involvement in detecting and reporting incidents;

c. requiring that patient incident reporting be integrated with quality assurance activities; and

d. requiring that tort claims analysis be included as an integral part of the patient injury control program.

Actions Completed:

(1) Increased emphasis has been placed on the patient injury control program (PIC).

(2) On 8/20/85, DM&S issued Supplement, MP-1, Part I, Change 41, Chapter 2, which provided guidelines to clarify the definition of a "patient incident" and prescribed reporting requirements.

(3) District-based training seminars on patient incident reporting was conducted at eight sites.

(4) A Medical Inspector white paper to orient top DM&S staff on the importance of incident reporting involving VA beneficiaries was transmitted to Regional Directors on 9/11/86.

(5) More physician involvment in the timely completion of incident report forms was encouraged.

(6) Occurrence Screening review procedures focusing on adverse patient outcomes are under development.

(7) District Counsels provided medical centers with malpractice claim information for analysis and inclusion in the patient injury control program.

Actions Pending and Estimated Date of Completion (where available)

(1) Use of a General Accounting Office developed Data Base on patient incidents is planned.

(2) Continued supervision of patient injury reporting is planned.

(3) Revisions to Supplement, MP-1, Part I, Change 41, Chapter 2, to further address and clarify patient incident reporting are being considered.

(4) The Occurrence Screening Program is to be implemented at all medical centers - Targeted date of completion is October 1987.

(5) Tort claims analysis will be initiated as an integral part of the patient injury control program in Fiscal Year 1987.

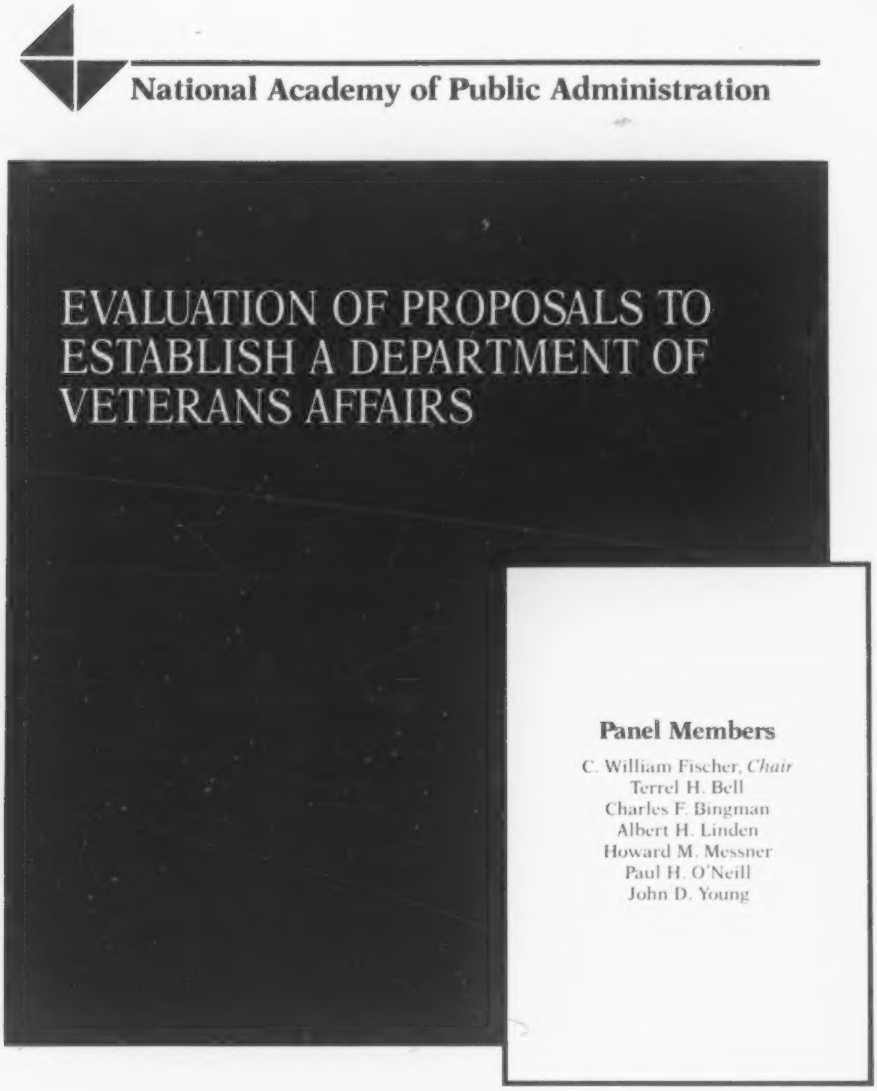
Status

(1) Incident reporting by medical centers remains inconsistent.

(2) Test results showed that reports were not properly submitted to Central Office.

Audit Assessment

DM&S actions to implement this recommendation are incomplete and have not been fully successful. Policies on incident reporting should be reviewed to clarify, define and standardize reporting requirements. Stronger actions need to be taken by Central Office for instances of noncompliance with patient incident reporting directives.



National Academy of Public Administration

EVALUATION OF PROPOSALS TO ESTABLISH A DEPARTMENT OF VETERANS AFFAIRS

Panel Members

C. William Fischer, *Chair*
Terrel H. Bell
Charles F. Bingman
Albert H. Linden
Howard M. Messner
Paul H. O'Neill
John D. Young

National Academy of Public Administration

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NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

Evaluation of Proposals to Establish A Department of Veterans Affairs

A Report by an Academy Panel
for the
Committee on Governmental Affairs
United States Senate

March 1988

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EXECUTIVE SUMMARY

The Senate Committee on Governmental Affairs has before it legislation which would establish a Department of Veterans Affairs. Pursuant to a contract between the Committee and the National Academy of Public Administration, a panel of Academy members and other senior officials with a wide range of relevant experience has considered a series of questions posed by the Committee and prepared this report. The questions were grouped into two areas:

- whether the Veterans Administration should be elevated to a Cabinet department, and
- how this elevation should be achieved.

Whether the Veterans Administration should be elevated to a Cabinet department

The Panel recognizes and vigorously supports the overwhelming consensus in our society that the needs of its military service veterans should be met fully and equitably. Meeting the needs of the veterans of the United States and their dependents and survivors is regarded as a very high priority for allocating resources necessary for direct health care as well as for financing disability compensation, pension benefits, life insurance, home loan guarantees, education and training and burial services.

The Panel carefully evaluated the proposals and background material relevant to establishing a Department of Veterans Affairs. As an aid to reaching its conclusions it developed a set of 14 criteria which it believes would be useful to the Committee in evaluating whether the Veterans Administration (VA), or any other government organization, should function as a Cabinet department. These criteria are discussed in Part I of the report and listed in Appendix C. The Appendix is constructed as a working document for members of the Committee and the Congress to use in reaching their own policy conclusions.

After applying these criteria to the VA the Panel reached the following conclusions:

It finds little evidence that the prospects of fulfilling the vital mission of providing for the present and future needs of veterans would be materially improved by elevating the VA to a Cabinet department. The Panel does not believe that such an elevation would significantly improve access to the president, affect the adequacy of necessary resources, or improve the organization, management and delivery of high-quality services and benefits. The Panel does recognize the potential political value of raising the public visibility of the needs of veterans in the president's Cabinet as a vital part of the national defense function. The Panel also notes the extraordinary level of support which now exists for veterans as shown by the 12.3 million volunteer hours and the $21 million in contributions to the VA on behalf of veterans last year. Given the broad political support which already exists for the VA and its programs, the gain from elevation to a Cabinet department would be at the margin.

The Panel found that coordination of veterans programs would not be significantly improved. Most of them are already in the VA. Cabinet status might bring marginal improvement in working with the Departments of Defense and Labor where the other major veterans programs exist.

The Panel has seen reports of internal weaknesses in the VA. However, the Panel concluded that a Cabinet department is not required to make necessary improvements, although the creation of more presidential appointments could improve the quality of veterans programs by attracting better managers.

The Panel recognizes that placement of veterans affairs in the Cabinet as a department could facilitate the more uniform achievement of broad, cross-cutting national policy goals. However, the Panel believes that there are other mechanisms now in place or available which have been, and could be, used to accomplish these purposes whether or not the VA is elevated to be a Cabinet department although Cabinet status might make the current mechanisms work more effectively.

Also, the Panel doubts the utility to the president of increasing the number of people in the Cabinet because such additions make the Cabinet an even less manageable body of presidential advisors. The number of Cabinet departments has increased from nine to thirteen since 1965. Increases in the Cabinet's size tend to reduce its value to the president and could further lessen its use or lead to its fragmentation. However, this is not a conclusive reason, in any single case, including this one, not to create another Cabinet department.

Finally, the Panel notes that elevation of the VA which serves a single clientele group to a Cabinet department, makes it difficult to object to proposals for similar treatment of agencies such as the Social Security Administration with its programs for the aged.

How a department should be established

The Panel also developed guidelines, presented in Part II of the report on how a new department should be established and concluded that:

1. Ten presidential appointments should be adequate, and the secretary should have flexibility in assigning the appointees' duties.

2. Aside from the presidential appointments, the present balance in the VA between political and career executives appears appropriate for the mission of the department and should be carried forward into a new department.

3. There are a number of restrictive provisions in present (and proposed) law that would prevent a new secretary from effectively managing a Department of Veterans Affairs. These should be removed.

4. Costs of establishing a new department are not inconsequential, and it would be prudent to establish reporting requirements as an aid to insuring that such costs do not become excessive.

5. While a biennial budget is not crucial to the establishment of a Cabinet department, it would be useful to try this concept in a new Department of Veterans Affairs.

6. If a new department is established it would be advisable for it to become effective with the inauguration of the new President in January 1989.

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INTRODUCTION

This Panel report has been prepared at the specific request of, and under contract between, the National Academy of Public Administration and the Committee on Governmental Affairs of the United States Senate. The Committee has before it two bills — S. 533 and H.R. 3471 — which would establish a Department of Veterans Affairs. The latter bill passed the House of Representatives by a vote of 399-17 in November 1987.

A bill to make the Veterans Administration (VA) a Cabinet department was first introduced in 1929 and there have been sporadic introductions ever since. Starting with the 88th Congress a bill has been introduced each year. The Panel surveyed the literature which bears upon the placement and structure of federal agencies within the executive branch of the U.S. government. While this literature is extensive, little of it is specifically concerned with the VA. Moreover, the literature is not systematically organized to provide a general set of criteria for use by elected officials in addressing the issue of Cabinet department status or the organization of a federal department.

Proposals of the First Hoover Commission (1949) resulted in extensive changes in the organization of the VA, and still provide the basis for today's organization. However, they did not propose any changes in function or status despite the fact that even then VA spending was greater than all but two other executive agencies. The Second Hoover Commission (1955) made a recommendation which resulted in codifying the laws involving veterans under Title 38 of the U.S. Code, but did not suggest organization changes. In the major reorganizational changes proposed by President Nixon in 1971 and in studies of the President's Reorganization Project during the Carter Administration, the VA was excluded. In its summary analysis of the Nixon proposals for the House of Representatives, the Committee on Government Operations noted:

> ....In terms of combining similar functions, a case could be made for transferring VA housing functions to the proposed Department of Community Development — as recommended by the Price Task Force — and VA health and medical services to the proposed Department of Human Resources. There may be, on the other hand, political and administrative logic in preserving the VA as a self-contained entity, particularly with the growing numbers of veterans of the Vietnam war. The VA ... is larger than most executive departments and employs more persons than would any of the proposed new departments.[1]

However, in general, there has been little written on the VA in the various studies on governmental reorganization. The present administration was silent on VA's organizational status until President Reagan endorsed H.R. 3471 shortly before House passage in November 1987.

METHODOLOGY

The Committee requested that the National Academy address a series of questions which were grouped under two main areas of inquiry:

1. Questions on whether the Veterans Administration should be elevated to Cabinet status including an assessment of which criteria should be used in this determination and the potential impacts of elevation including those on cost, budget, size, effectiveness of service, coordination and accountability.
2. Questions on how to achieve such elevation including organizational options, balance of political and career executives, principles for managing a large-scale service delivery operation, changes which might provide added management flexibility, methods to smooth a transition, cost control mechanisms, and the pros and cons of a biennial budget.

A list of specific questions considered by the Panel is included as Appendix A.

In response, the Academy formed a Panel on Veterans Affairs, chaired by C. William Fischer and composed of former senior officials with a wide range of relevant experience, to consider these questions. The Panel had the benefit of the testimony of witnesses before the Legislation and National Security Subcommittee, House Committee on Government Operations, and the Senate Governmental Affairs Committee on S. 533 and H.R. 3471. The Panel supplemented this with presentations on specific questions, at its meetings on February 1 and 2, from the last two VA Administrators, and other present and former government officials from the Congress, the VA, and the Congressional Research Service. The Panel also obtained written responses to questions, and from the VA, a variety of background materials. In addition, the Academy staff reviewed the literature on recent reorganizations, including the Departments of Education and Energy.

In addition, Panel members have benefited substantially from intensive dialogue with the chairman and members of the National Academy for Public Administration's Standing Panel on Executive Organization and Management. In fact, three members of that Panel also served on this Panel and its Chairman made a presentation before this

Panel.

Finally, the Panel relied on the pooled experience and judgments of its members. In their government careers, Panel members have, over the last 30 years, worked for the VA, reviewed its programs, and participated in VA benefit programs. They have worked for administrations from President Truman through President Reagan, and served as senior federal executives at the level of Cabinet secretary or assistant secretary in four Cabinet departments (Transportation; Health, Education, and Welfare; Energy; and Education), and five independent agencies (VA; Environmental Protection Agency; Office of Economic Opportunity; Office of Management and Budget; and the Congressional Budget Office). None of the Panel members are now in the federal service; however, members now hold senior positions in private corporations, professional associations, a veterans service organization, and public and private universities.

The Panel members are listed on the front cover. More extensive biographical material on each member is included in Appendix B.

At the end of the report is a bibliography of materials which bear on the subjects which were consulted during the Panel review.

THE PANEL'S RESPONSES TO THE QUESTIONS

The Panel has developed a consensus view of the criteria which it recommends be used as guidelines in Committee deliberations about whether the VA should be elevated to a Cabinet department. Part I of the report presents these criteria and responds to the Committee on Governmental Affairs' requests in this area. (Appendix A, questions 1-4).

The Panel also presents in Part II a set of public management guidelines which it believes will be useful in considering how to structure a new Department of Veterans Affairs, should the Committee decide to recommend raising the VA to a Cabinet department. (These guidelines could also apply to managing the existing VA.) This part of the report responds to Committee concerns as expressed in Appendix A, questions 5-7 and 10.

The Panel has also provided comments on how these criteria and guidelines apply to a proposed Department of Veterans Affairs.

The remaining questions 8, 9, and 11 listed in Appendix A are addressed separately in Part III of the report.

Because it would detract from the focus requested of the Panel by the Senate

Committee on Governmental Affairs and because of the extremely limited time frame provided, the Panel determined, in consultation with the Chairman and Committee staff, that it would not make detailed assessments of either:

1. the current efficiency with which existing programs are, in fact, delivering services and benefits to the veteran population;

or,

2. the merits of or problems with program policy as it exists in current law or regulation.

These matters are important; in fact, the Panel recognized that one possible danger in creating a new Department of Veterans Affairs now is that it will create a perception that this elevation, in and of itself, has done something to address veterans' needs, thus effectively de-emphasizing and delaying for a number of years a re-examination of the adequacy of basic services and programs for veterans. The aging of the veteran population, the growing AIDS epidemic, the apparently large veteran population among the homeless, and other concerns may pose major new problems for our society in serving veterans. In addition, there have been many changes in the composition of the workforce and the practice of medicine since the present bases for determining compensation for disabilities and criteria for pensions were established. Formation of a presidential commission or other vehicle for an in-depth analysis would be necessary and desirable to adequately consider these matters.

It is generally more useful for changes in organizational form to follow any necessary decisions on program substance. Therefore, there is a risk in proceeding to a Cabinet department for the VA without first considering program policy and the current efficiency in delivery of services. Nevertheless, the Panel's report does address the potential impacts of structural, resource and process changes related to the proposed elevation to a Cabinet department as they might affect improvements in program service delivery or program policy in the future.

Finally, the conclusions and recommendations of this Panel are those of the Panel members and do not necessarily represent the official views of the National Academy of Public Administration or its members.

THE CURRENT VETERANS ADMINISTRATION

The Veterans Administration was established on July 21, 1930 to consolidate and coordinate activities affecting veterans. It absorbed activities in the Veterans Bureau, the Bureau of Pensions in the Interior Department, and the National Home for Disabled Volunteer Soldiers. Fifty-four hospitals were included in the new agency. In 1973, the National Cemetery System was transferred to the VA from the Department of the Army.

Since that time it has grown into a very large agency. It potentially serves 28 million veterans and their dependents (almost 80 million people). In 1986, it expended $16.7 billion in benefits including:

- Compensation to over 2.5 million veterans with service-connected disabilities ($10.4 billion).
- Pensions to about 1.0 million veterans in need of assistance who are over 65 or who have become disabled since their period of service ($3.9 billion).
- Education benefits to about 425,000 veterans and their dependents ($900 million).
- Insurance policies - 7.2 million policies with dividends of $880 million to 3.5 million policy holders.
- Home loan commitments to about 475,000 veterans valued at $34.3 billion.
- Burial benefits - $121 million.
- Interments for over 52,000 veterans.

These services, except for interments, are provided through 58 regional offices with one in every State, the District of Columbia, Puerto Rico, and the Philippines. Interments are carried out in 65 of the 109 active national cemeteries open to new burials.

In addition, the VA provided medical care in 1986 for 1.5 million in-patients, and for 20.0 million out-patient visits through a nationwide network of medical facilities including 172 medical centers, 229 outpatient clinics, 117 nursing homes, and 16 domiciliaries. In 1986, the VA helped train over 100,000 medical students in VA facilities through its affiliation with over 1,000 educational institutions including 102 medical schools.

In addition, over $500 million was expended on veteran-related biomedical research programs in its facilities and other related facilities. The VA's appropriated funds of approximately $440 million are supplemented by funds from other government agencies and from private sources. In recent years, two VA research scientists have been awarded the Nobel prize for medicine.

The VA employs approximately 220,000 full-time equivalent employees making it the government's third largest employer behind the Defense Department and the Postal Service.

It has a construction program in excess of $500 million each year. The Supply Fund, which buys medical supplies for the Defense Department as well as the VA, operates at a $730 million level. The canteen service which operates in each of the Veterans Medical Centers has gross revenues of about $185 million.

Veterans Administration responsibilities include coordinating activities on behalf of veterans throughout the government. The VA medical system is the principal medical back-up system to the Defense Department in time of war.

PART I - GUIDELINE CRITERIA FOR AGENCY ELEVATION TO CABINET DEPARTMENT STATUS

The Panel has identified criteria which it recommends as guidelines for the Committee in deciding whether the VA should be elevated to a Cabinet department. With appropriate modifications, these guidelines could be applied to any other agency seeking Cabinet status.

The Panel recognizes that elected Members of Congress must apply their own political or qualitative values and judgments in giving relative weights to the criteria. The Panel, therefore, offers these criteria with its collective views on how each applies to the VA without any attempt, as a Panel, to judge the relative weights of the criteria.

The 14 criteria, posed in the form of questions are grouped under five major categories which the Panel believes provide the most appropriate bases for determining if any set of government programs are best conducted by a Cabinet department. The Panel's comments are also provided about applying each of the 14 criteria to the VA. Appendix C a working matrix that Members of Congress might find useful as a framework for applying their own judgments to the criteria for determining whether the VA, or any other federal agency, should be elevated to a Cabinet department.

Establishing a National Priority for the Agency's Programs

1. Does the agency or set of programs serve a broad national goal or purpose not exclusively identified with a single class, occupation, discipline, region or sector of society?

Panel Comment:

The Panel recognizes and vigorously supports the overwhelming consensus in our society that the needs of its military service veterans should be met fully and equitably. Meeting the needs of the veterans of the United States and their dependents and survivors is regarded as a very high priority for allocating resources necessary for direct health care as well as for financing disability compensation, pension benefits, life insurance, home loan guarantees, education and training and burial services.

This high priority is manifest in the following facts:

- Veterans Administration expenditures of almost $27 billion in fiscal year 1987 rank ahead of 10 Cabinet-level departments.

- Three million veterans receive disability compensation or pension benefits and one million widows or other survivors receive death benefits. These payments total over $14 billion annually.
- Each year VA provides medical care for 1.5 million in-patients and for 20 million out-patient visits through direct care in 172 hospitals, 229 out-patient clinics, 117 nursing homes and 16 domiciliaries, at a total cost of treatment of $9 billion.
- Seven million, two hundred thousand veterans' and military persons' lives are insured by VA-administered or supervised life insurance. This is a larger aggregate coverage than all but four private insurance companies in the United States.
- Almost half a million veterans' home loans, valued at $34.8 billion, were guaranteed by the VA in 1987.

In addition, to the Panel's knowledge, there has never been a funding crisis in VA's history which has not been responded to quickly and fully by the executive and legislative branches of government, including during the recent years of unusual fiscal constraint.

There has never been a successful proposal to subordinate the Veterans Administration within another Cabinet department, such as during the formation of the Departments of Health and Human Services, Housing and Urban Development, Transportation, Energy, Education or the four super Cabinet departments of Human Resources, Natural Resources, Community Development, and Economic Affairs proposed during the first Nixon administration.

There are a number of extraordinary restrictions against the imposition of government-wide or agency-imposed economy and efficiency measures which might otherwise diminish VA resources (see Appendix D). These have been enacted into law by the Congress and approved by several presidents.

So, the established national priority for veterans affairs has been extremely strong and long-standing as a national goal. The Panel is not persuaded that elevation of the VA to a Cabinet department is necessary to establish or reinforce this priority. However, it could accentuate the nation's recognition of the veterans' service and its importance to the national defense.

In addition, veterans and their dependents and survivors are individuals related solely by their association with a military service veteran or by direct personal military service. No other set of programs serving a single service-related group has been elevated to Cabinet rank. Other federal departments meet major functional needs and serve all citizens across multiple professional backgrounds, occupations and sectors of society. The Panel believes that if this federal agency and its clientele group are elevated to cabinet status, it could be more difficult to object to proposals for similar treatment of agencies such as the Social Security Administration with its programs for the aged.

On the other hand the VA can reasonably be seen as a crucial and integral part of the national defense function in that it provides, to those citizens who are asked to sacrifice the most, necessary assurances that their long-term needs will be met. This is seen by many as a vital part of a major national function — the defense of the nation. This has been true of the VA as it would be true of a Cabinet department.

2. Is there evidence that there is a significant need of the veterans population that is not now adequately recognized or addressed by the Veterans Administration, the president, or the Congress which would be better assessed or met by elevating the agency to a Cabinet department?

Panel Comment:

Proponents of the VA's elevation to Cabinet department often cite an improved opportunity to obtain necessary resources for veteran programs. However, the Panel finds, with regard to percentage changes in budgeted resources between fiscal years 1980 and 1988, that VA outlays have been comparable to Cabinet departments and independent agencies. Over the eight-year span, VA outlays increased 31 percent or $6.5 billion.

Among independent agencies, VA's increase in outlays is less than that of the National Aeronautics and Space Administration, but significantly more than that of the Environmental Protection Agency. Ranked by departmental percentage changes, the VA is notably less than Agriculture, Health and Human Services, and Housing and Urban Development. The VA outlay increases are slightly below those of Transportation and slightly above those of Education. Outlays for VA increased dramatically in comparison with the Departments of Energy and Labor.

The two most recent additions to the Cabinet are the Departments of Energy and Education; they joined the Cabinet in 1977 and 1980, respectively. The Department of Education enjoyed a 27 percent increase in outlays during the past eight years. Energy suffered a 19.4 percent decrease in outlays. The VA percentage increase in outlays was larger than both of them. Table 1 illustrates the changes in outlays for the selected departments and agencies. These budgetary comparisons suggest that elevation to a

Cabinet department bears no direct or causal relationship to success in obtaining additional resources for an agency's mission.

TABLE 1

Changes in Outlays for Selected Department and Agencies
(Fiscal Year 1980 - 1988)

($ in billions)

Agencies and Departments	FY 1980 Actual	FY 1988 Estimate	Change $ Dollars	 % Percent
Veterans Administration	$21.1	$27.6	$6.5	+31.0%
Other Independent Agencies				
Environmental Protection Agency	5.6	4.8	-0.8	-14.3%
NASA	4.9	9.1	4.2	+85.7%
Cabinet Departments				
Agriculture	34.8	50.7	15.9	+45.7%
Energy (excluding Atomic Energy Defense)	3.6	2.9	-0.7	-19.4%
Education	14.8	18.8	4.0	+27.0%
Health and Human Services (excluding Social Security and Medicare)	44.3	81.6	37.3	+84.2%
Labor (excluding Unemployment Insurance)	11.7	6.3	5.4	-46.1%
Housing and Urban Development	12.7	18.5	5.8	+45.6%
Transportation	19.8	26.3	6.5	+32.8%

Source: Budget of the United States, 1989

3. Is there evidence of impending changes in the needs of, or the circumstances surrounding, the veteran population which would be better addressed if the VA were made a Cabinet department? Are such changes expected to continue into the future?

Panel Comment:

The panel finds evidence of significant impending change in the size and composition of the veteran population. Figure 1 compares the numbers of veterans and the projected aging of the veteran population between the years 1980 and 2030. Veterans over 65 will grow from 5.5 million in 1986 to 8.9 million by 2000 with likely attendant increases in the VA's medical workload. At the same time, barring major armed conflict, the total veteran population will fall from 27.7 million in 1988 to 24 million by 2000 and to about 14.4 million by 2030. The Veterans Administration has demonstrated its ability to obtain the resources necessary to meet most of the needs of the changing veteran population in the past. While a Cabinet department might improve the opportunity to obtain resources, the Panel is not persuaded that a Cabinet department is essential to obtain necessary resources to meet expected changes in the future.

4. Would a Cabinet department increase the "visibility" and thereby substantially strengthen the active political and public support for programs assisting veterans, including the volunteer service and donated cash assistance currently being provided through veteran service organizations and the non-organized citizenry?

Panel Comment:

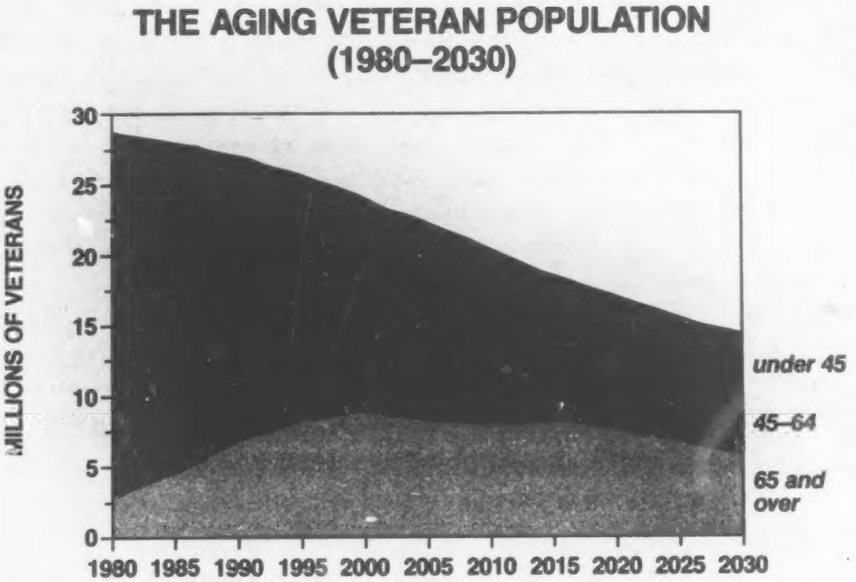
Almost eight million veterans are members of the various veteran service organizations, that is, almost 30 percent of the living veteran population. Members of these service organizations and their auxiliaries provide staff volunteers who:

- assist veterans to apply for disability compensation, pensions and other benefits;
- assist in all 172 hospitals, as well as in VA out-patient clinics and nursing homes;
- provide on-site evaluation of benefits delivery and health care at every VA installation in the United States;
- represent veterans' interests before the Board of Veterans Appeals;

Figure 1

COMPARSION OF NUMBER OF VETERANS AND THEIR AGE

1988-2030



Source: Veterans Administration, VA Today, May 1987

- raise funds for special needs; and
- lobby effectively for constructive change in the federal budget and in federal and state laws and regulations affecting veterans.

More than 12.3 million volunteer hours and $21 million in contributions to the VA's General Post fund were provided by volunteers and volunteer contributions last year. This is typical of the annual volunteer time and volunteer contributions to the VA.

A former VA Administrator, Harry Walters, recently stated that, "This effort is undoubtedly the largest volunteer effort in the U.S.A."[2] In addition, when the dependents and survivors of veterans are included, the number of citizens with a direct interest in veterans affairs is approximately 80 million. That is a substantial block of politically supportive persons — about one third of the entire U.S. population. The Panel knows of very few federal Cabinet departments which enjoy this level of active volunteer services or political support.

The Panel believes that, while a Cabinet department would clearly provide some additional visibility and political support, in view of the extraordinarily broad level of public recognition and active support which are already in place, the impact would be marginal.

5. Is there evidence that becoming a Cabinet department would provide better analysis, expression and advocacy of the needs and programs which constitute the agency's responsibilities?

Panel Comment:

The present VA administrator, and his immediate predecessor, stated their strong views that access to the president would be greatly improved with cabinet status and this would make a significant difference in getting top level attention to veterans programs.

A Cabinet department secretary often has better personal access to the president and senior White House staff than the administrator of an independent agency. However, in the case of the VA administrator, the Panel is not aware of any major program or policy issue affecting the VA's responsibilities to veterans where the administrator does not receive full and direct consideration by the president and his senior staff when that is needed. President Carter, or example, by Executive Order, made Administrator Cleland a regular attendee at Cabinet meetings. In the current administration, the VA is not a member of the Cabinet or the Domestic Policy Council, but it is invited to attend meetings where appropriate. The VA is an active participant in 24 presidential or White House committees including the President's Committee on Employment of the Handicapped, the Domestic Policy Council's Agent Orange Working Group, the White House Drug Abuse Strategy Council, the White House Working Group on Health Policy, the White House Veterans Federal Coordinating Committee, and the Domestic Policy Council Working Group on Privatization.

The Veterans Administration is one of the 23 agencies that comprise the President's Council on Management Improvement, and the VA Inspector General is a member of the President's Council on Integrity and Efficiency. In addition, the VA is represented on scores of interagency committees and task forces including that on Alcohol Abuse and Alcoholism, Drug Abuse and Health Planning and Development (P.L. 93-641). The president has the power to include the VA in any other committee or interagency group including the Cabinet. It is in these councils and committees where the agency's substantive position on national policies is actually presented and advocated — not in formal Cabinet meetings. The current list of councils and committees which include the VA has been provided separately to the Governmental Affairs Committee.

Improving Program Effectiveness

6. Is there evidence that elevation to a Cabinet department would improve the effectiveness of service delivery to veterans and their beneficiaries?

Panel Comment:

The Panel finds that, with regard to those direct service and financial support programs which the VA manages and supervises, the key determinants of effectiveness do not depend on an act authorizing departmental status. The Panel does find that there are a number of unusual and important restrictions in current law which probably impede management changes to improve program effectiveness (see Appendix D and discussion in Part III (3)). However, neither S. 533 nor H.R. 3471 in their present form would change those statutory provisions. In short, effectiveness of VA's programs is not likely to be improved materially by the legislation presently before the Committee.

7. Is a Cabinet department required to better coordinate or consolidate programs and functions which are now scattered throughout other agencies in the executive branch of government?

Panel Comment:

The Panel finds that, unlike the cases of Transportation, Housing and Urban Development, Energy and Defense, there are very few programs and functions which directly serve or affect veterans which are not already consolidated in the VA.

Those which do exist outside the direct management authority of the VA are:

The Education Benefits Fund budgeted in the Department of Defense as part of the all-volunteer-force compensation.

Veterans Job Training Programs and the National Veterans Training Institute budgeted in the Department of Labor under the Assistant Secretary for Veterans Affairs.

Soldiers and Airmen's Home.

American Battle Monuments Commission.

Arlington National Cemetery.

In addition, certain employment programs carried out for veterans are conducted by the Office of Personnel Management. However, none of these is proposed for consolidation in the legislation now before the Congress. Therefore, elevation of the VA to a Cabinet department does not appear necessary to significantly improve interagency program coordination — given the coordinating mechanisms already in use and the substantial consolidation of programs under the VA which already exists. However, a Cabinet secretary for veterans affairs would certainly have improved access to other Cabinet secretaries responsible for related programs.

In 1971 and 1972, the Nixon administration, based upon work by the Ash Council, advanced the notion of clustering similar responsibilities and programs under four new super Cabinet departments to integrate programs, to analyze trade-offs between them, and thus to place the secretaries of the larger Cabinet departments in policy roles similar to that of the president in order to achieve more interagency program effectiveness. One of the precepts of this effort was that the Cabinet structure, with its then 11 departments, was not capable of serving this purpose. The proposal was the subject of extensive congressional hearings. Incidentally, the Veterans Administration was not proposed for inclusion in any of these Cabinet departments and neither the Nixon plan nor the Carter reorganization project proposed either a Cabinet department for the VA or consolidation within any other Cabinet department.

It is the Panel's judgment that the coordination and consolidation of similar programs affecting veterans to bring them under a stronger, better integrated framework within the Cabinet would not be significantly improved by elevating the VA to be the 14th Cabinet department.

Improving Veterans Program Efficiency

8. Is there evidence that a Cabinet department with its increase in the centralized political authority of the secretary's office would result in a more effective balance, within the agency, between integrated central strategic planning and resource allocation, and the direct participation in management decisions by the line officers who are responsible for directing and managing service delivery? Would the staff officer-line officer interaction be improved?

Panel Comment:

The Panel believes that the Office of Program Analysis and Evaluation, now located in the Office of the Associate Deputy Administrator for Management, has not had the resources or the charter to be as effective as similar units in some Cabinet departments and independent agencies in analyzing and recommending important improvements in program efficiency. The resources available for studies, analyses, and evaluation in that office have fluctuated so greatly that necessary stability and continuity have been difficult to achieve. However, the Panel finds that the political status of the agency head is not the key determinant of such imbalances as may exist. The Panel notes that this important balance varies greatly between agencies which are Cabinet departments and between those which are not. The Panel recognizes that, while an effective core analytic function serving the Secretary can be impeded by substantive appropriation or organic departmental legislation which is too prescriptive, the opposite is not true. Legislation is a weak mechanism for assuring an appropriate balance.

9. Is there evidence that there are significant structural, management or operational weaknesses within the VA that could be more easily corrected by elevation to a Cabinet department?

Panel Comment:

The Panel notes that there are other congressional and executive branch organizations which have direct responsibilities for overseeing VA management practices, e.g., the VA Inspector General, the General Accounting Office (GAO), and the Office of Management and Budget; and that their products are based on more extensive and detailed staff work than was possible for this Panel. The Panel has had access to summaries of GAO reports from 1982 to date, and it reviewed the 1986 GAO report, Financial Management: An Assessment of the Veterans Administration Major Processes (GAO/AFMD 86-7, June 1986).

It appears from these reports that significant weaknesses have been detected in the financial management, planning, and management information systems used to plan for and allocate resources to the medical care and related capital construction processes. The Panel defers to the GAO on the details of their findings. However, the Panel believes that such weaknesses can be addressed most forcefully through changes in the internal structure, procedures, and relationships within the agency, and that elevation to a Cabinet department has not been a powerful means in the past of correcting such deficiencies.

An organic act establishing a Cabinet department does provide the opportunity to realign critical internal management functions and strategies. However, neither bill before the Committee proposes to do this. (The Panel's proposal regarding VA's top management structure, should it be elevated to a department, may have some direct impact on such problems. These recommendations are included in Part II of this report.)

10. Is there evidence that there are external barriers and impediments to timely decision making and executive action that could be detrimental to improving the efficiency of VA programs? And would these impediments be removed or mitigated by elevation to a Cabinet department?

Panel Comment:

The Panel finds that the most important external impediments to timely decision-making and executive action by the VA are those legislated "report and wait" provisions in federal law which require reports to the Veterans Affairs Committees of the Senate and the House and require elapsed time before action may be taken. These include (a) any full-time equivalent employee reduction of 10 percent of the employees in a VA facility of 25 employees or more; (b) any employee grade reduction; and (c) any transfer of an interest in real property or a report to a federal disposal agency on property valued above $50,000. These and other restrictions are described in detail in Appendix D. For example, changing a VA medical center into an outpatient clinic has not proved possible under current legislation. Similarly, consolidation of a program activity with significant attendant savings and improved service to veterans has also been prevented.

The Panel notes that consideration of legislation to elevate the VA to a Cabinet department provides the Congress an opportunity to review, and eliminate where appropriate, provisions such as those in Appendix D which seriously impede economic and efficient operations. In the Panel's view, elimination of these provisions should be considered regardless of the decision on whether to elevate the VA to a Cabinet department. The Panel notes that neither of the bills providing for elevation of the VA to a Cabinet department would remove any of these impediments.

In addition, the Panel notes that H.R. 3471 (Section 6) adds another potential impediment by requiring that the VA maintain a regional office in every state. While this is the present situation, as the veteran population declines over the next 40 years, this restriction could result in significant waste and inefficiency without offsetting benefits to veterans. The Panel recommends that this provision not be included in any legislation establishing a new department.

The Panel believes that such external constraints, rather than promoting accountability by the VA (or a Cabinet department secretary with the same portfolio), actually diminish responsibility of the agency head and, therefore, diffuse his or her accountability to the president and the Congress. This was the conclusion of the Congressional Panel on Social Security Organization in its 1984 Report to the Committee on Ways and Means which stated: "To strengthen the management of the new social security agency and to improve operational accountability, the Congress should delegate to the Social Security Administration selected management authorities available under current law. Specifically, Congress should direct delegations of essential authorities from the General Services Administration and the Office of Personnel Management for: (1) Automated data processing/information resources management, (2) administrative resources, and (3) personnel management..."[3]

11. Would elevation to a Cabinet department help recruit and retain better qualified leadership within the agency?

Panel Comment:

The Panel observes that VA leadership over the years generally compares quite favorably with that of other federal independent agencies. Nevertheless, a Cabinet secretary position is customarily more attractive to senior executive talent with a broader base of experience. Since more prestige is attached to presidential appointments, this may also be true for the VA sub-cabinet line officers who have the day-to-day operational management responsibilities.

Improving Federal Policy Integration

12. Is there evidence that a Cabinet department would facilitate more uniform achievement of broad, cross-cutting national policy goals such as: better integration of biomedical research; a national AIDS program; drug prevention and treatment programs; health care cost containment; equitable needs tests in areas beyond disability compensation benefits; government-wide personnel and budgetary controls; more efficient management and disposition of federal real property assets; and the comprehensive coordination of health care, income maintenance, education and training and other service delivery strategies?

Panel Comment:

The Panel believes that co-equal status in the Cabinet with the other major departments with which the president works in developing and implementing such government-wide policies and strategies could bring the veterans programs into stronger policy alignment because of the natural pressure for equitable and uniform execution across all Cabinet departments. However, given the unique nature of the veteran population and the long-established context of the congressional prescriptions described above, significant change over and above what is now achieved by the coordinating mechanisms currently in place is not probable, even if Cabinet status were granted. As previously noted, the VA is represented on numerous White House committees, and it is one of 23 agencies represented in the President's Council on Management Improvement.

13. Would elevation to a Cabinet department for the VA weaken or strengthen the Cabinet and the Executive Office of the President as policy and management aids to the president?

A recent report on the Cabinet by the Congressional Research Service stated:

> In this century, the utility of the Cabinet for the president has declined. As issues have become more complex and have required specialized knowledge, Presidents have found the generalist viewpoints of Cabinet members progressively less useful. The creation of the Executive Office of the

President (EOP) in 1939 provided the President with a staff more attuned to his needs and responsibilities. This institutional assistance permitted the President to develop policy proposals independent of the departments and agencies.

Although the utility of the Cabinet as a source of policy advice may have declined in this century, the Cabinet still is useful to the president in other respects. The fact that the department Secretaries meet in one room at one time permits the president to express his view to most of the executive branch (not all the executive branch is represented in the Cabinet) in a direct manner. It also facilitates interpersonal relations between the heads of departments, assisting them to resolve policy and administrative differences that may arise between their respective departments. The Cabinet, therefore, serves the president as an institution encouraging administrative coherence and coordination.[4]

Panel Comment:

The Panel was concerned that, while Cabinet status might be attractive for any given organization, it might set a precedent for other organizations to attempt to do the same thing. There are a number of organizations in the federal government which could assert a need for Cabinet status similar to that advanced for VA. These organizations are also very large and important, and represent millions of citizens' interests. While it is difficult to know where to draw the line, it is clear that the president could not manage a government which was so "horizontally" structured that every important interest reported directly to him. This would create a wholly inadequate Cabinet apparatus.

The Panel believes that while the trend to increase the number of agencies included in the Cabinet does dilute its usefulness as an advisory body to the president, the addition of one additional department would not have a sufficiently negative effect to reject the proposal on that ground alone. The Panel believes the elevation of the VA considered by itself would have little, if any, effect upon the operations of the Executive Office of the President.

Improving Accountability to Elected Public Officials

14. Would the elevation to a Cabinet department have a beneficial or detrimental effect upon the oversight and accountability of the agency to the president and the Congress?

Panel Comment:

Neither of the bills under consideration would change the VA's inclusion in the Federal Managers' Financial Integrity Act, the Inspector General Act or other general oversight mechanisms of government; therefore, the Panel believes the impact upon accountability to the president, oversight within the executive branch, and oversight by the Congress and its committees of jurisdiction, would be negligible. Incidentally, the Panel would not recommend any such changes in oversight.

With regard to congressional committees, it is possible that, if the agency responsible for serving veterans were drawn more directly into the arena of national policy on health care and its costs, including strategies for coping with AIDS and drug abuse problems as well as education and income maintenance strategies, other committees of the Congress might assert concurrent jurisdiction and split the rather straightforward relationships which now exist between the VA and its authorizing and appropriations committees. Again, however, the Panel's estimate is that such effects likely would be marginal.

As stated earlier, the Panel does not believe that elevation to a Cabinet department would provide more managerial authority in the agency head. However, elevation to a Cabinet department might improve the ability of the agency head to influence legislation. It is the congressionally-established, VA-specific controls which decrease accountability in areas such as personnel, management information systems, property disposal and organizational controls. These restrictions will not automatically be changed by Cabinet status. Removal of the unnecessary controls is needed.

GENERAL CONCLUSION OF THE PANEL

The Panel finds little evidence that the vital mission of providing for the present and future needs of our veterans would be materially improved by elevating the Veterans Administration to a Cabinet department. The Panel does not believe that such an elevation would significantly improve either access to the president, the adequacy of necessary resources, or the organization, management and delivery of high-quality services and benefits. The Panel does recognize the potential political value of raising the public visibility of the needs of veterans and the programs designed to meet these needs by making VA a department in the president's Cabinet. However, given the broad political support which already exists for the VA and its programs, the gain would be at the margin.

The Panel also recognizes that placement of veterans affairs in the Cabinet as a department could facilitate the more uniform achievement of broad, cross-cutting national policy goals such as more integrated programs of biomedical research; a national AIDS program, drug prevention and treatment programs; health care cost containment; equitable needs tests in areas beyond disability compensation; government-wide personnel and budgetary controls; and more effective and efficient management of government resources. However, the Panel believes that there are other mechanisms now in place or available which have been, or could be, used to accomplish these purposes whether or not the VA is elevated to be a Cabinet department. Cabinet status might make the current mechanisms work more effectively.

Finally, the Panel doubts the utility to the president of increasing the number of people in the Cabinet because such additions make the Cabinet an even less manageable body of presidential advisors. The number of Cabinet departments has increased from nine to thirteen since 1965. Increases in the Cabinet's size tend to reduce its value to the president and could lessen its use even further or lead to its fragmentation. However, we do not believe that this is a conclusive reason, in any single case, including this one, not to create another Cabinet department.

PART 2 - PUBLIC MANAGEMENT GUIDELINES FOR THE STRUCTURE OF CABINET DEPARTMENTS

There is a wide variety of organizational structures in the existing Cabinet departments, some mandated by statute and others which have evolved over time. Opinion varies on what constitutes effective departmental organization, and different organization structures are needed in different departments, in part because of variations in mission and program complexity. Nevertherless, the broad studies of government organization, including the two Hoover Commissions, the Ash Council, and more recently the GAO general management reviews, have provided some useful insights for developing general guidelines for structuring a new department.

Relying on these earlier studies and its own set of experiences, the Panel identified guidelines which it believes are applicable to a Department of Veterans Affairs, and for that matter, to the structure of other departments. Each of the guidelines is listed below. This listing is followed by Panel comments.

1. The Secretary should have full authority to direct and administer the programs and policies of the department and thus justify being held accountable. This requires that all authority given to the department by law should be given to the secretary who may delegate it as required. (Title 38, except in a few minor instances, clearly places all authority for VA programs in the administrator.)

2. The secretary should have adequate flexibility to organize and allocate resources, including the field structure of the department, to meet the changing needs and locations of veterans. (As noted in Part 1 (criterion 10), there are current restrictions on the VA which should be removed to satisfy this requirement. In addition, H.R. 3471 would add another restriction by establishing requirements for the location of field offices. As previously noted the Panel recommends against including this restriction in legislation.)

3. There should be clear and direct lines of authority and responsibility between the senior line officers who have service delivery and operating functions and the secretary.

4. There should be an appropriate balance between adequate access by, and use of, staff officials charged with advising the secretary on cross-cutting issues of departmental administration, strategic planning and resource allocation, and direct participation in those processes by the senior line officials charged with service delivery

and operations.

5. The structure should allow for a clear identification of the responsibilities of the top executive team, both within the department and externally with the Congress, other agencies, veterans and the general public.

6. The structure should facilitate the secretary having full and current information on and critical evaluation of: strategic policy and planning; resource allocation trade-offs; program effectiveness; the quality of service delivery; and external relationships including congressional and public affairs.

7. The secretary should have the greatest possible latitude in assuring that all of the functions of the department are being carried out with professional quality and integrity. These functions include providing all veterans services as well as internal supporting functions such as: financial management, personnel management, procurement and supply, construction, auditing, inspection, and management information systems.

8. In the context of the mission needs of the department, the structure should provide for the appropriate balance between political leadership and the career staff to assure competence and continuity in operational management of the delivery of services.

9. The existing structure of an executive department or agency should not be changed without clear evidence that it is not working.

Based upon these principles, the Panel recommends in Table 2 a structure for a Department of Veterans Affairs. The functions identified with the staff assistant secretaries are shown in parentheses and are suggested only as a means of logically grouping functions to determine a reasonable number of executive level positions. The Panel recommends full authority be given to the secretary to distribute these functions as he or she sees fit. This structure calls for ten presidential appointees compared to three in S. 533 and fourteen in H.R. 3471.

TABLE 2

SUGGESTED EXECUTIVE LEVEL STRUCTURE FOR A DEPARTMENT OF VETERANS AFFAIRS

Secretary	I
Deputy Secretary	II
Assistant Secretary for Veterans Medical Services At Pay Level Specified in Executive Order 12578, Jan. 6, 1987	
Assistant Secretary for Benefits	IV
Assistant Secretary for Memorial Affairs	IV
Assistant Secretary for External Affairs (Congressional, Intergovernmental, Public, Consumer)	IV
Assistant Secretary for Planning and Budget (Management Information Systems and Statistics)	IV
Assistant Secretary for Management and Logistics (Administration, Personnel & Labor Relations, Procurement & Supply, Construction, Telecommunications)	IV
General Counsel	IV
Inspector General in accordance with the Inspector General Act	

Implicit in the structure suggested in Table 2 is the consolidation and strengthening of the department's planning, budgeting and administrative management activities which are now scattered among several different staff offices. For example, the functions of personnel, logistics (construction, procurement and supply and administration), and information management and telecommunications are now managed in three separate organizational units. The Panel believes departmental operations and the new secretary's ability to manage them would be enhanced by this consolidation. The new assistant secretary for management and logistics would also serve effectively as the secretary's representative to the President's Council on Management Improvement and have the full range of responsibilities covered by the Office of Management and Budget (except budget), the Office of Personnel Management and the General Services Administration.

H.R. 3471 proposes that the Chief Medical Director (CMD) be a doctor of medicine appointed for a fixed, four-year term by the president with the advice and consent of the

Senate, and provides further that if the CMD is removed before the end of the four-year term, the reason shall be communicated to both Houses of Congress. S. 533 makes no change in the existing law which would result in the secretary making the appointment.

The Committee heard presentations of varying views on the qualification and appointment process for the CMD and carefully considered this matter. It noted that this position requires a highly qualified person to function effectively. It also noted that this situation is common to many positions throughout the federal government. Specifically, the assistant secretaries for health affairs in Defense and Health and Human Services do not have special qualifications in the law concerning their positions, although in practice they have usually been filled by medical doctors. Presumably, without a requirement in law, the president's personnel office would search for an assistant secretary for veterans medical services in a Department of Veterans Affairs with appropriate medical qualifications. It should be noted that, by law, the Surgeon General of the United States (in Health and Human Services) must have experience in public health, although a medical degree is not required. Traditionally, this position has also been filled by a doctor. By contrast, the Surgeons General of the Army, Navy and Air Force are all career medical doctors from within the service. These positions are presidential appointments with the advice and consent of the Senate.

The Panel recommends that all of the assistant secretary positions/and the General Counsel serve at the pleasure of the president and be appointed by him with the advice and consent of the Senate. It is important that all of these positions be filled by competent people. However, as the Academy noted in its report Leadership in Jeopardy:

> ...In a country as rich as ours in talent and resources, it ought to be entirely possible to find and recruit individuals who possess both the talent and skills necessary to perform effectively as presidential appointees and the political credentials and sensitivities necessary to operate successfully in the Washington environment. Good politics and good management are not mutually exclusive. Indeed, they are complementary....[5]

The panel which prepared that report went on to recommend that "substantive knowledge and administrative experience ... should be primary criteria in the selection and continuation of presidential appointees." However, after exhaustive study, that panel did not recommend changes in law to require such qualifications. We concur. While substantive knowledge and administrative experience are essentials for presidential appointments to a new Department of Veterans Affairs, these requirements should not be fixed in law.

Under Title 5, Section 5316 of the U.S. Code the VA is authorized a chief benefits director; general counsel, and director, national cemetery system. These are Executive Level V positions which are not currently used by the VA. Instead the positions are filled from the Senior Executive Service with pay and benefits from that system.

The Panel believes that this flexibility should be maintained in a new department. Therefore, although Table 2 recommends positions at executive levels, the new department should have the option of continuing to fill the positions with Senior Executive Service personnel when this is to the advantage of the government. However, the positions should continue to be presidential appointments with the advice and consent of the Senate.

The Panel was specifically asked to address the proper balance of political and career executives in a Department of Veterans Affairs. It believes that balance is not a matter of numbers but of the nature of the executive positions. Continuity is of particular importance. The Leadership in Jeopardy report noted that 48 percent of presidential appointees over the past 20 years turn over within two years; 70 percent within three years. Furthermore, the average length of time to fill a vacant position has been steadily increasing and was nearly four months in 1985. For positions below the executive level, if substantive knowledge and continuity of experience are the most important factors, career executives are generally desirable. For positions where significant "policy" questions are involved, political appointments are appropriate. These should usually be at the department level. Table 3 displays the present distribution of senior level positions. The Panel found no reason to take exception to the present mix of senior managers below the presidential appointee level.

TABLE 3

VETERANS ADMINISTRATION
EMPLOYMENT SUMMARY - January 28, 1988

	Executive Level	Noncareer SES	Career SES	Schedule C	Title 38
Department of Medicine and Surgery	-	-	28 *	-	191
Department of Veterans Benefits	-	-	49	-	-
Department of Memorial Affairs	-	1	2	2	-
Other	2 **	4	56	9	-
Total	2	5	135	9	191

*Does not include SES equivalent positions such as Medical Center Directors and executives appointed under Title 38, U.S. Code.

**The VA's three Executive Level positions are the Administrator, Deputy Administrator and Inspector General. The Inspector General position is currently vacant.

Source: Veterans Administration, January 1987

PART 3 - OTHER COMMITTEE CONCERNS

1. The cost of elevating the Veterans Administration to a Cabinet department

Experience in past government reorganizations shows that, unless the Congress significantly changes the program base or mission, no significant cost impact or cost savings stem solely from the reorganization itself.

There would be no direct impacts on the VA program funding levels that the Panel can discern or that can be identified from the recent experiences creating other Cabinet departments. As the budget history in Table 1 shows, there are other more powerful determinants of positive (or negative) trends in resource allocation.

With regard to administrative costs associated with the changeover to a Cabinet department, some advocates have suggested that the costs are negligible, but information provided the Panel by the VA and other sources shows that, at a minimum, it would be realistic to contemplate the following:

a. One-time signage changes at all VA installations (estimate $8.5 million). These could be stretched over two years.

b. Additional one-time costs of office furnishings and automobiles (estimate $200,000).

c. Additional annual costs of upgrading personnel at the executive level and their personnel support staff (estimate $400,000).

d. Additional annual cost of space, chauffeuring, and home-to-work transportation of the secretary (estimate $200,000).

Thus, the additional costs are not inconsequential. They can be minimized by requiring that new stationery (estimate $1.4 million) be phased in only as existing supplies are exhausted, and that all new positions replace existing positions. Therefore, the Panel recommends that the VA be formally required to provide estimates of added, one-time and continuing costs to the appropriate committees of the Congress as part of the transition planning.

2. Possible cost control mechanisms to ensure that elevation to a Cabinet department would not entail significant added administrative costs.

There is probably little that can or should be added to legislation to control the costs of elevating VA to a Cabinet department. In VA's case this change is relatively simple and straight forward. However, to insure that costs are not excessive the Panel recommends that the Committee include in on any reorganization legislation a requirement to provide an annual report from the Secretary of Veterans Affairs of:

a. actual costs against the one-time and annual estimates provided to the Congress as suggested in the previous section; and

b. all increases in salaries, supplies, and equipment used by activities or executives at the level of deputy assistant secretary or above which were not used, or engaged in, by the VA.

The annual reports should be submitted at the end of the first and second fiscal years following the new department's establishment.

3. The pros and cons of a biennial budget for a Department of Veterans Affairs.

Biennial budgeting generally means that budgets would be prepared and submitted to the Congress every two years, rather than every year. Beyond that, there are many variations in what would actually be involved. In 1940, 44 states were using biennial budgets; today only 19 do so. The Defense Department presented a biennial budget for fiscal years 1988-1989. However, only a one-year spending level was recommended by the Senate Armed Services Committee because of its inability to determine how the President intended to meet the Gramm-Rudman-Hollings deficit target in fiscal year 1989.

When the 1988 budget resolution was being considered, the Senate rejected a resolution that the Congress should adopt a biennial budget and appropriation process by a vote of 53 to 45. However, it did adopt a sense of the Congress provision that encouraged experimentation with 2-year appropriations for selected agencies and accounts.

Changing the VA into a Department of Veterans Affairs should have little effect on this overall question, and the Panel believes it would be difficult to legislate a biennial budget in an organic act, given the Appropriations Committees' roles. Nevertheless, some factors which suggest that VA might be a good candidate for biennial budgets are:

a. VA's authorizations are permanent. Annual authorizations are a major complicating factor in applying biennial budgeting.

b. The VA has indicated its willingness to try biennial budgeting.

c. Under annual budgets, VA usually requires supplementals each year. Although its two major appropriations for compensation and pensions and medical care are very large ($14.4 and $9.6 billion respectively), the large numbers of people involved mean that small percentage changes result in large dollar changes. Continual supplementals tend to defeat the purpose of biennial budgets. The fact that the Congress has always responded promptly to the need for supplementals for VA programs indicates that biennial budgets will probably not be a significant constraint on the VA's ability to get necessary resources.

d. The two-year cycle might help to encourage longer range planning and maintain a more rational and orderly employment process throughout the year.

e. New initiatives are a relatively small part of the VA budget, with 57 percent of appropriations for entitlement programs and much of the balance for relatively stable health care programs.

f. The 1984 Congressional Panel on Social Security Organization recommended a biennial budget for Social Security based on substantial anticipated savings in administrative costs and because of the stable and predictable costs of benefit programs. These factors are present in veterans affairs programs and could justify using the VA or a new department as a demonstration agency.

While experimenting with a biennial budget should not be a primary consideration in a decision to establish a Department of Veterans Affairs, the Panel believes it would be useful to try the concept in either a new department or in the existing VA.

4. Possible methods for ensuring a smooth transition from current independent agency status to a Cabinet department.

The Panel concluded that the key determinant in establishing a smooth transition to department status is the timing of enactment. Less than a year remains in the current president's term. If two or three more months are required to complete congressional action and obtain the president's signature on the organic act and some additional time is allotted for planning the transition, very little time will remain before a new president takes office.

When the Department of Education was established, it came into existence 180 days after appointment of the Secretary, or any date after October 1, 1979, if established by the president in the Federal Register. (The law was enacted on October 17, 1979.) For the proposed Department of Veterans Affairs, H.R. 3471 provides that the president shall prescribe the effective date by Executive Order. It must be within six months of the date of the law's enactment, and officers provided for in the Act may be nominated and appointed in the interim. S. 533 is identical, except that there is no provision for interim appointments.

Does it make sense to established a new sub-Cabinet structure, take other steps such as preparing conforming amendments to existing law, and install several presidential appointees before a new administration takes office? The Panel's answer is "no," particularly if the secretary is given flexibility in the organic act to designate the functions and duties of assistant secretaries. Therefore, the Panel recommends that the effective date for establishment of the department be no earlier than appointment of the secretary by the president taking office January 20, 1989, but in no event later than 180 days following the president's inauguration. This will result in minimum disruption of the VA's current leadership and will assure that the transition staff of the newly elected president addresses the structural issues and selection of the Secretary and his subordinates promptly after the election.

ENDNOTES

[1] U.S. Congress, House, Executive Reorganization: A Summary Analysis, H. Rpt. 92-922, Eleventh Report by Committee on Government Operations, (Washington, D.C.: Supt. Doc., 1972), p.21.

[2] Personal testimony from Harry Walters, National Academy of Public Administration, 2 February 1988.

[3] U.S. Congress, Joint Panel on Social Security Organization, A Panel to Establish an Independent Agendy for Social Security, S. Prt. 98-204. (Washington, D.C.: Supt. Doc., 1984), p. 6.

[4] Ronald C. Moe, The President's Cabinet, (Washington, D.C.: Congressional Research Service, 1986), p.4.

[5] National Academy of Public Administration, Leadership in Jeopardy, (Washington, D.C.: NAPA, 1985), p. 8.

APPENDIX A

QUESTIONS ABOUT ESTABLISHING A DEPARTMENT OF VETERANS AFFAIRS

Questions regarding whether the Veterans Administration should be elevated to Cabinet status:

1. Which criteria should be used in determining whether an independent agency should be elevated to Cabinet status?

2. What are the potential impacts of elevation of the Veterans Administration, including cost, budget, size, coordination, and accountability?

3. What is the impact on quality and effectiveness of service delivery to the Veterans population?

4. Would Department-level status facilitate more uniform application of government-wide programs aimed at improving efficiency such as health-care cost containment standards (prospective DRG's), needs testing for income-maintenance and educational benefits, expenditure controls through execution of government-wide restraints (Graham-Rudman), etc.?

Questions regarding how to elevate the Veterans Administration to Cabinet status:

5. What are the options for the organizational structure of a Department of Veterans Affairs?

6. What is the proper balance of political and career executives in a Department of Veterans Affairs?

7. Which principles for the structure and management of large-scale organizations apply to VA, including possible improvements in the way a Department of Veterans Affairs would operate?

8. What are some possible cost-control mechanisms for ensuring that a Department of Veterans Affairs would not entail significant added administrative costs?

9. What are the pros and cons of a biennial budget for the Department of Veterans Affairs?

10. What are possible changes which might give a Department of Veterans Affairs added flexibilities to achieve management and service effectiveness?

11. What are possible methods for ensuring a smooth transition from current independent agency status to Cabinet status?

APPENDIX B

THE PANEL ON VETERANS AFFAIRS
BIOGRAPHIES

Panel Chairman:

FISCHER, C. WILLIAM
Vice President for Budget and Finance, University of Colorado

Assistant Secretary for Planning and Budget, U.S. Department of Education; Acting Assistant Secretary and Principal Deputy Assistant Secretary for Policy and Evaluation, U.S. Department of Energy; Special Assistant to the Secretary, U.S. Department of Energy; Deputy Administrator of Energy Information Administration, U.S. Department of Energy; Assistant Director for Human Resources, Congressional Budget Office; Deputy Associate Director for Human Resources and Deputy Assistant Director for Legislative Reference, Office of Management and Budget; Deputy Director for Program Analysis, Office of Economic Opportunity.

BELL, TERREL H.
Professor of Educational Administration, University of Utah

Secretary of U.S. Department of Education; Commissioner of Education, State of Utah; Superintendent of Granite School System, Utah; Acting Commissioner for Education, U.S. Department of Health, Education, and Welfare.

BINGMAN, CHARLES F.
Distinguished Visiting Professor of Public Administration, The George Washington University

Special Assistant to the Deputy Secretary and Deputy and Acting Administrator, Urban Mass Transportation Administration, U.S. Department of Transportation; Project Director, Reform '88 and Deputy Associate Director for Organization, Office of Management and Budget; Organization and Management Adviser, Reagan Transition Team; Director of Manned Space Flight Management Programs, National Aeronautics and Space Administration; Executive Director, President's Management Improvement Program.

LINDEN, ALBERT H.
Adjutant/Treasurer, Disabled American Veterans, State of Florida

National Commander, Disabled American Veterans; Deputy Administrator for Energy Information; U.S. Department of Energy; Vice President, The Orkand Corporation; Disabled Vietnam Veteran decorated with the Legion of Merit, the Air Medal with seven oak leaf clusters, and the Purple Heart.

MESSNER, HOWARD M.	Chief Executive Officer, American Consulting Engineers Council

Assistant Administrator for Administration and Resources Management, U.S. Environmental Protection Agency; Comptroller, U.S. Department of Energy; Assistant Director for Management, Office of Management and Budget; Assistant Director for Management Programs, Congressional Budget Office; Staff Assistant to the Administrator, National Aeronautics and Space Administration.

O'NEILL, PAUL H.	Chairman and Chief Executive Officer, Aluminum Company of America

President, International Paper Company; Deputy Director, Associate Director, and Assistant Director, Office of Management and Budget; Systems Analyst, Veterans Administration.

YOUNG, JOHN D.	Professor of Public Management, The American University

Special Assistant to the Secretary and Deputy Under Secretary, U.S. Department of Energy; Assistant Secretary for Management and Budget and Assistant Secretary, U.S. Department of Health, Education, and Welfare; Assistant to the Director and Deputy Associate Director for Energy and Science, Office of Management and Budget; Budget Examiner, Veterans programs, Bureau of the Budget; Organization and Methods Examiner, Veterans Administration.

APPENDIX C

WORKING MATRIX

Guideline Criteria	Weight	10 Point Scale (Where Yes is 10 and No is 0) Rating
I. Establishing a national priority for the agency's programs.		
1. Does the agency or set of programs serve a broad national public goal or purpose not exclusively identified with a single class, occupation discipline, region or sector of society?		
2. Is there evidence that there is a significant need of the veterans population that is not now adequately recognized or addressed by the Veterans Administration, the president, or the Congress which would be better assessed or met by elevating the agency to a Cabinet department?		
3. Is there evidence of impending changes in the needs of, or the circumstances surrounding, the veteran population which would be better addressed if the VA were made a Cabinet department? Are such changes expected to continue into the future?		
4. Would a Cabinet department increase the "visibility" and thereby substantially strengthen the active political and public support for programs assisting veterans, including the volunteer service and donated cash assistance currently being provided through veteran service organizations and the non-organized citizenry?		
5. Is there evidence that becoming a Cabinet department would provide better analysis, expression and advocacy of the needs and programs which constitute the agency's responsibilities?		

Guideline Criteria	Weight	Rating
II. Improving program effectiveness		
6. Is there evidence that elevation to a Cabinet department would improve the effectiveness of service delivery to veterans and their beneficiaries?		
7. Is a Cabinet department required to better coordinate or consolidate programs and functions which are scattered throughout other agencies in the executive branch of government?		
III. Improving veterans program efficiency		
8. Is there evidence that a Cabinet department with its increase in the centralized political authority of the secretary's office would result in a more effective balance, within the agency, between integrated central strategic planning and resource allocation and the direct participation in management decisions by the officers who are responsible for directing and managing service delivery? Would the staff officer–line officer interaction be improved?		
9. Is there evidence that there are significant structural, management or operational weaknesses within the VA that could be more easily corrected by elevation to a Cabinet department?		
10. Is there evidence that there are external barriers and impediments to timely decision-making and executive action that could be detrimental to improving the efficiency of VA programs? And would these impediments be removed or mitigated by elevation to a Cabinet department?		

Guideline Criteria	Weight	Rating
11. Would elevation to a Cabinet department help recruit and retain better qualified leadership within the agency?		
IV. Improving federal policy integration		
12. Is there evidence that a Cabinet department would facilitate more uniform achievement of broad, cross-cutting national policy goals such as: better integration of biomedical research; a national AIDS program; drug prevention and treatment programs; health care cost containment; equitable needs tests in areas beyond disability compensation benefits; government-wide personnel and budgetary controls; more efficient management and disposition of federal real property assets; and the comprehensive coordination of health care, income maintenance, education and training and other service delivery strategies?		
13. Would elevation to a Cabinet department for the VA weaken or strengthen the Cabinet and the Executive Office of the President as policy and management aids to the president?		
V. Improving accountability to elected public officials		
14. Would the elevation to a Cabinet department have a beneficial or detrimental effect upon the oversight and accountability of the agency to the president and the Congress?		

APPENDIX D

A SAMPLE OF LEGISLATIVE CONSTRAINTS ON MANAGEMENT FLEXIBILITY

1. Public Law 97-66, Veterans' Disability Compensation, Housing and Memorial Benefits Amendments of 1981 (Title 38 U.S.C., Section 210 (a) and (b)).

   Prescribes specific 180 day congressional committee review for any reorganization affecting 10 percent of the employees of a single facility. This restricts the Administrator's authority to consolidate, eliminate, abolish or redistribute the functions of any facility without congressional notices, which, at a minimum, causes delays in needed managerial improvements.

2. Title 38 U.S.C., Section 5022 (a) (2) (A) and (B)

   Prescribes specific Committee review for 180 days of any real property transfer or excess report of any real property owned by the United States and Administered by the Veteran's Administration which has an estimated value in excess of $50,000.

3. Title 38 U.S.C., Section 210 (B) (3) (A)

   Prescribes specific committee review for 90 days of any grade reduction plan proposed by the Administrator which affects health care personnel, professional employees or computer specialists. A GAO review of such a plan is also required within 45 days.

4. Public Law 97-306, Veterans' Disability Compensation and Survivors' Benefits Amendments of 1982 (Title 38 U.S.C., Section 5010 (c)).

   Administrator's authority to contract out services performed by VA employees is strictly limited; direct patient care activities or activities incident to direct patient care may not be contracted out. Other activities may only be contracted out if the Administrator determines that they are in the best interest of veterans, enhance the quality of medical care, and cost 15 percent less.

   The impact of this legislation is that nearly all of the activities performed by 193,000 employees (medical care) are considered exempt from contracting. Activities such as food and custodial services which have been successfully contracted out in other agencies and have achieved substantial savings, would be exempt because VA considers these to be related to direct patient care. Nearly 20,000 VA employees are involved in these two areas.

5. Public Law 96-151, Veterans' Health Programs Extension and Improvement Act of 1979 (Title 38 U.S.C., Section 5010 (a)).

   The Director of OMB must certify that the VA has been provided an employment level which provides staffing for the three major medical programs consistent with the level intended by Congress in the appropriation bill. The effect of this law is that the President has no discretion to adjust employment ceiling after passage of any appropriation bill. This affects 198,000 full-time-equivalent employees.

6. Public Law 98-371, Department of Housing and Urban Development — Independent Agencies Appropriation Act of 1985, Section 409.

   Places a personal services dollar floor on appropriations, so that funds appropriated for personal services cannot be reprogrammed for other object classifications without Appropriation committee approval.

   This limitation has two effects: (a) it acts as an incentive for VA to spend personal services funds, regardless of need, to avoid losing money and (b) it forces VA to submit very conservative estimates for personal services (since money can be reprogrammed into personal services easily but not out of personal services).

7. Public Law 97-66, Veterans' Disability Compensation, Housing and Memorial Benefits Amendments of 1981 (Title 38, U.S.C., Section 5010 (a) (5)).

   This section prohibits A-76 cost studies to see if money could be saved in the areas of medical care, medical and prosthetic research, medical administration and miscellaneous medical operations unless funds are specifically appropriated for that purpose. Funds were limited to $2,000,000 in FY 1988.

8. Public Law 94-502, Section 701 (Title 38 U.S.C., Section 3101 (a) and (b)).

   This section precludes assignment or attachment of veterans benefits with the result that veteran benefits may not be used to offset payment of delinquent debts to other federal agencies either voluntarily or involuntarily. Has the effect of hampering the government's debt collection program.

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